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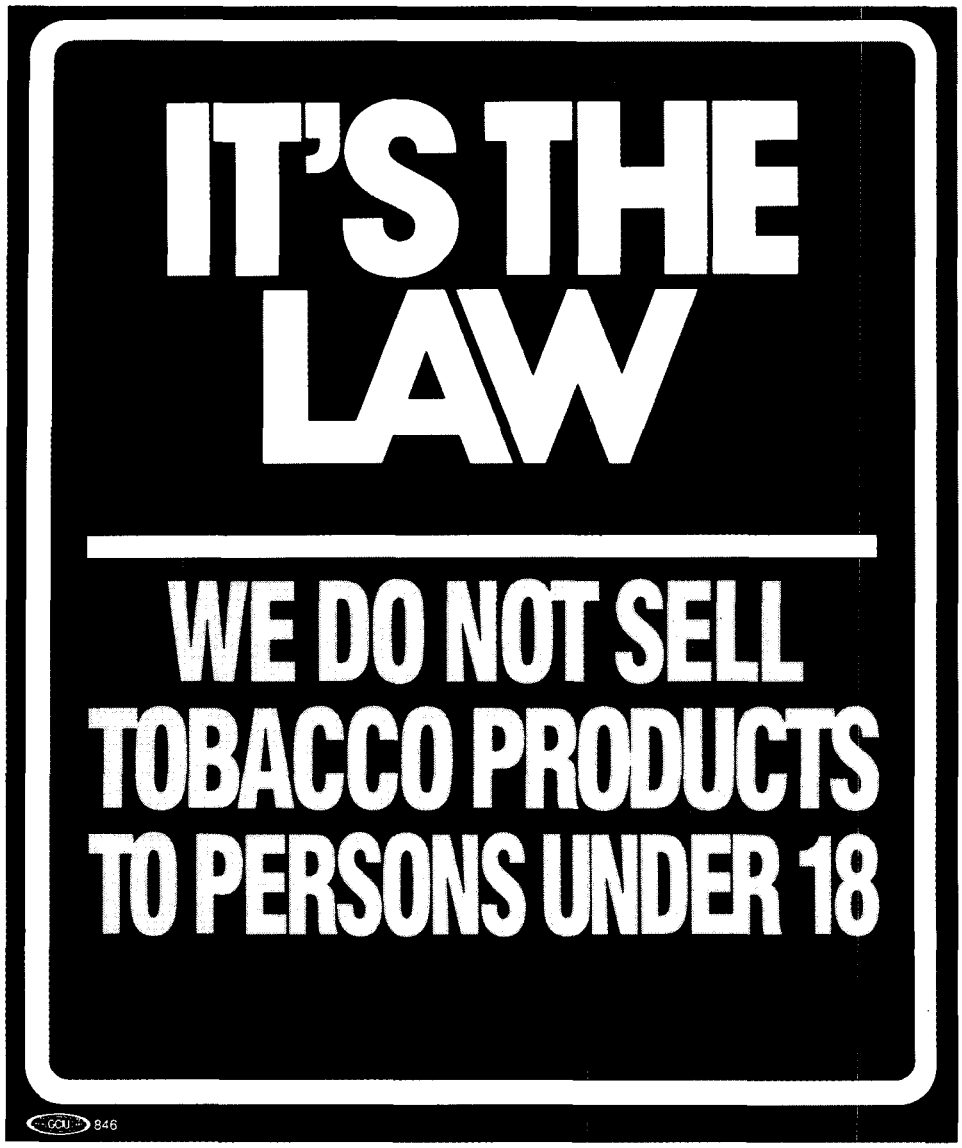

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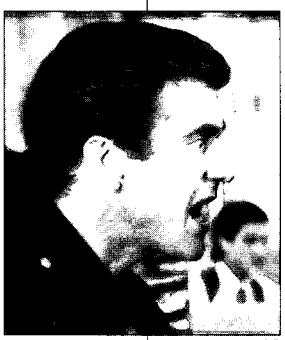

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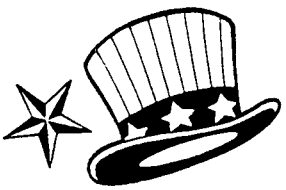

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RAGE, RIOTS, & RESPECT

VIRGINIA I. POSTREL

Of all the cities in the United States, Los Angeles is one I never expected to call home. It is, after all, a strange place for a political intellectual who won't exercise and can't get a tan. And to love a city is strange, especially when it is huge and sprawling and not especially green. But I love L.A.

Which is why I found the riots so heart-breaking—and the political response to them so infuriating. For me, Los Angeles is a real city. For too many pontificators, it is merely a useful symbol.

People have invoked the riots to push every conceivable agenda—from a vague call for an "urban Marshall Plan" to a denunciation of mini-mall architecture. They have used the riots to condemn Oliver North and bash the S&L bailout. Some commentators have blamed conservative neglect, others liberal immigration policy.

I, too, am tempted to pump pet causes: Can we really restore the inner cities without legalizing the drugs whose trade enriches and arms terrorist gangs? How can we talk about creating jobs while smog regulators shut down Latino furniture makers and black barbecue restaurants? Just about any agenda can be reflected in the fires of L.A.

But living here makes me resist using the riots that way. My agenda may be valid, but it doesn't answer the big, troubling questions: What caused the riots? How do we prevent them from recurring? What is wrong in our city?

Senate candidate Bruce Herschensohn says we had riots because "some people are rotten," without conscience or empathy. He's right—to a point.

Only people without empathy could drag motorists out of their cars and beat them within an inch of their lives. Only people without empathy could burn and loot the lives and dreams of their neighbors. Only people without empathy could fail to see the humanity in Rodney King.

But human nature exists year round, and rotten people terrorize South Los Angeles every day. Riots occur once in a generation. Rottenness was necessary to the riots, but it wasn't sufficient.

To turn rottenness into riots took two other conditions: opportunity and rage. The opportunity was obvious and well documented. On April 29, violent mobs massed on the streets of Los Angeles, the police retreated, and a state of nature ensued. Soon the city was in flames, protected only by armed property owners and urban sprawl. Were Los Angeles the size of Boston, there would be nothing left.

The rage is trickier and more often misrepresented. Black Angelenos, black Americans, are very, very angry. Most of them did not riot; many saw their stores burn, their dreams explode, their lives suddenly get harder. Nor were all rioters either black or angry: A plurality of looters arrested were Latino; many rioters in Hollywood and downtown were white; and whoever stole Madonna's bra from the Frederick's of Hollywood museum wasn't making a political point. In these riots, as in most, the majority of participants were out for fun and profit.

But rage did fuel the riots, at least at the beginning. To violent people, the not-guilty verdicts—and the rage they engendered among the general public—provided a signal to riot, to converge at once on shops and passersby. Rage supplied cover for more venal motivations. And it spurred the political apologies for the rioters, all the pronouncements that started, "Nobody condones rioting but...."

More important for the long run, the attention generated by the rioters gave nonviolent people a chance to voice their rage. And if you listen to what those people are actually saying—often in loud and angry voices—you will not hear the clichés of pundits and politicians. The Great Society, pro or con, will not come up.

Instead, you will hear this: The criminal justice system does not protect black Americans. It does not make their streets safe from violence. It does not rally to the side of black crime victims. It sees black people only as criminals, never as citizens. It does not give them respect.

Notice that this complaint has very little to do with economics. Rodney King was beaten, not laid off. Latasha Harlins was shot, not overcharged. Yusuf Hawkins was murdered, not underpaid. "No Justice, No Peace" says nothing about a guaranteed annual income.

In a race-haunted country, this is a difficult complaint to address. It would be far easier to dump a few hundred million dollars on the cities and be done with it. That's why urban riots tend to produce calls for more aid, more money, more redistribution. Money is easy. Respect is hard.

Riots command attention but they do not command respect. They inspire fear, hatred, and multiracial flight to the suburbs. They allow riot-torn communities to be turned into symbols, stripped of their humanity. Ritual invocations of haves and have-nots, calls for new transfer programs, and condemnations of "greedy" middle America all serve to exacerbate this process.

To heal our city, we must move from ritual to respect. And to do so, we must first understand what respect is. It is not compassion. It is not pity. It is not love. Respect does not require that we think of one another as brothers and sisters, only as human beings and fellow Americans. It demands recognition of one another as individuals, not as an undifferentiated "them."

And it requires living up to our social

contract, a contract that guarantees a good-faith effort to protect life, liberty, and property. When families live in terror of drive-by shootings, when children cannot play outside without fear for their lives, when merchants must pack pistols in the best of times, that contract has been grossly violated.

But here's the rub: Inner-city residents fear crime, but they also fear the police. And if Los Angeles is any indicator, they have reason for their fear.

In Los Angeles, we had our investigating commission *before* we had our riots. Formed in the wake of the Rodney King beating, the Christopher Commission spent months interviewing residents and reviewing police records. Those investigations revealed a horrifying but not terribly surprising pattern of police harassment and abuse fueled by a casual racial bigotry and a fortress mentality. (The LAPD's unusual canine program, in which dogs are trained to bite every suspect, wasn't on the commission's agenda, but it scares the hell out of me.)

The Christopher Commission made proposals for reforming the police department to make it more accountable to the public. Those proposals, Charter Amendment F, will be on the June ballot, and a new police chief, Willie Williams of Philadelphia, will be arriving soon.

The amendment and the new chief may ameliorate the situation. But they will not make the streets of South L.A. safe—especially since the city's continuing budget crisis limits the funds Williams will have to implement his vision of labor-intensive "community policing." Nor will a few reforms overcome decades of ill will. To restore order to fear-riven neighborhoods, we cannot depend on the old models. We must be creative.

From the riots' aftermath it is clear that foot patrols can reduce crime against persons and property—not by busting criminals but by deterring them. (Patrolling rather than crime solving is also the principle that private security firms use to protect the city's wealthy enclaves, although "rent-a-cops" generally drive.) It is also clear that in neighborhoods where residents felt a sense of power and ownership, places like East Los Angeles and parts of Mid-Wilshire, they were able to keep the peace or run looters away.

The big question is whether these two ideas can be successfully combined, whether community patrols might reclaim the streets of South Los Angeles, or whether safety requires soldiers armed with M-16s. Certainly citizen patrols would need more than community spirit; they would require police training, extra supervision, probably pay, and possibly weapons.

To heal our city, we must move from ritual to respect. To do so, we must first understand what respect is.

Figuring out even a trial model is tricky. But a citizen-based supplement to regular policing seems to offer both cost-effective crime deterrence and an essential bridge between the police department and the communities it serves. A program of citizen patrols takes violence-prone neighborhoods seriously, both as places to be protected and as sources of protection. It asks residents both what their city can do for them and what they can do for their city. It establishes a relationship based on respect.

Beyond physical safety—a difficult enough goal—lie even greater challenges, the issues of hearts and minds. How do we create a culture of respect? Given the understandable urge to see patterns, and a history that designates people by race, how do we learn to regard one another as individuals?

These are not, for the most part, political questions, although they have political implications. It would help if the law were color-blind, if it treated criminal defendants with equal severity and crime victims with equal sympathy. It would help if racial quotas did not permeate nearly every workplace in America and if congressional districts were not doled out by race. But the law follows the culture, not vice versa.

And in the cultural realm, little things matter. Rhetoric matters. I am not arguing for "political correctness" that declares honest debate out of bounds. Respect requires a willingness to disagree.

But there is something wrong with glib denunciations of rioters as "thugs," "punks," and, worst of all, "animals." Even criminals have free will; even rioters are human beings. Respect includes holding people responsible for evil choices—and recognizing that other, more respectable people have chosen otherwise.

Respect avoids the rhetoric of collective guilt: "They are burning their neighborhood." The words are true—unidentified rioters are burning a neighborhood in which they live—but the implication is insidious. The implication is that black people, as a group, have gotten together and decided to destroy South Los Angeles, that black people, as a group, are savages who wreck their own homes. That is not merely insulting, it is untrue.

To be respected, one must be respectable. Not extraordinary, not heroic, just respectable. That should be enough.

And the truth of the L.A. riots includes the story of ordinary, respectable people, people who stayed in their homes while the city burned, who did nothing either heroic or destructive. When we emerged from our homes, many of us met for the first time. In a city whose map comes in a 203-page book, the riots forced us to turn the pages, to cross over into unfamiliar territory. We chatted in hour-long supermarket lines and pushed brooms in burned-out shopping centers. There were more of "us" than there were of "them," and "we" came in all colors—and shapes and sizes and broom-pushing abilities.

We were people, not undifferentiated symbols, not political tools. And we all deserve a little respect.

DISORDER OF THE DAY

BY JACOB SULLUM

Judging from the initial response of the Los Angeles Police Department, Daryl Gates found out about the riots the same way I did—by turning on the TV at 8 p.m., expecting to see *The Wonder Years*. The LAPD's hesitation during the early hours following the verdict in the Rodney King beating case set the tone for the next few days. After an angry mob formed on Normandie Avenue in South-Central L.A., the police withdrew from the scene and did not return for hours.

The mob looted a liquor store, set a car on fire, and, as TV viewers watched in horror through the camera of a news helicopter, pulled motorists from their cars and beat them bloody. Truck driver Reginald Denny, pummeled and kicked nearly to death, was rescued not by the police but by four neighborhood residents, some of whom had witnessed the mob's attack on television.

Whatever the reasons for the LAPD's inaction (the question is the focus of a Police Commission investigation), it's plausible to conclude that the riots would have followed a different course had the department intervened earlier. The sight of the Normandie Avenue mob acting with impunity told anyone inclined to theft or violence that the police would not be a hindrance. It told everyone else that the police could not be expected to protect them.

For some of us, that message took a while to sink in. On Wednesday night, even as every local TV station broadcast pictures of buildings burning to the ground unattended because firefighters were afraid of ambush, it was possible to believe that the riots were a ghetto phenomenon—troubling but not directly threatening.

At work the next day, I learned that the mayor had declared a dusk-to-dawn curfew for the entire city, and the municipalities surrounded by Los Angeles had followed suit. I wanted to believe that the county-wide curfew was an overreaction, but reports of widespread daylight looting, coupled with a memo from the building's management offering instructions "in the event that rioting starts in the area," made this difficult.

It occurred to me that the most formidable weapon I owned was probably the fake Swiss Army knife that REASON offers as an enticement for subscription renewals. The realization gave emotional resonance to one of the arguments against waiting periods for firearm purchases: Sometimes law-abiding citizens need a gun in a hurry. In California, you have to wait at least 15 days to take possession of a firearm. Yet I wasn't expecting urban riots on the afternoon of the Rodney King verdict, let alone two weeks before.

I left work early. Traffic north and west was very heavy. I headed south to Venice Boulevard and then east, driving toward the smoke that filled the horizon. I stopped at a Ralph's supermarket on the way, parking on a side street because I expected the lot to be crowded. The store was full of anxious shoppers, many of them stockpiling food and supplies as if in anticipation of a siege. I briefly contemplated following their example (what did they know that I didn't?) but decided just to pick up a few things for the weekend. The carts and baskets had run out, anyway, so I could take only what I could carry in two hands.

The shelves were already noticeably depleted, and the lines for the cash registers extended down the aisles to the back of the store. A middle-aged man carrying several packages approached me as I waited. "Is this the express line?" he asked with a straight face.

At home, I turned on the TV to find that the national media were still focusing on the King verdict. CNN had a panel discussion featuring defense attorneys from the trial. It all seemed strangely irrelevant. Although the verdict had sparked the initial violence, most of what followed—drive-by shootings, the blitzkrieg in Koreatown, attacks on the homes of yuppies in Venice, the looting of department stores and supermarkets—had little or nothing to do with the trial.

Meanwhile, local TV reports were quickly converging with what was going on in my own neighborhood, the eastern end of the Westside, known in the classifieds as Beverly Hills "adj." If I pressed the mute button on the remote control, I could still hear the sirens and helicopters. If I turned off the TV, I could still see the columns of black smoke. One of them looked especially close; I went outside.

In front of the building a group of tenants had gathered, mostly young men. One told me he had called the police after seeing two guys in a Mercedes looting the car-stereo shop a few doors down. "They told me there's nothing they can do," he said. It was already a familiar refrain.

Although it was still about a half hour before curfew and the pedestrians looked no more threatening than usual, I was suddenly afraid to walk down my own street. I sprinted two blocks and saw firefighters hosing down a row of stores. They seemed to have the fire under control: No flames were visible, and the smoke was turning white.

It was getting dark, so I went inside, back to the television and its images of city-wide destruction. I flipped from channel to channel, alert to any news of nearby trouble. It was rapidly becoming clear that the authorities could do little more than wait for the riots to pass, like some natural disaster. The police could

not stop the looting, the arson, or the violence. The firefighters were overwhelmed. Even when they managed to get to a fire, they could only pour water on it to "knock it down," in hopes of keeping it from spreading, before they had to move on.

In the face of this chaos, I found it reassuring that some people had the courage and the wherewithal to defend their homes and businesses. One memorable bit of video, shot during the day, showed looters on the rampage in a Koreatown mini-mall. Every store in the area had been hit except one—the one whose owners stood on the roof with rifles. In another neighborhood later that day, residents armed with shotguns and baseball bats gathered in the street to ward off intruders.

The TV news people who covered these incidents clearly disapproved; they called the armed Koreans "disturbing" and noted that the neighborhood guards were "doing just what the police have said not to do." The reporters and anchors seemed to assume that, even when the police have shown themselves to be utterly incapable of protecting the public, only the police should carry guns; anyone else who dared to arm himself was either a criminal or a "vigilante." By contrast, a TV reporter appeared to welcome the sight of police arresting Korean businesspeople for weapon violations and confiscating their guns.

Along with dogmatic support for gun control, most members of the mainstream news media seem to share a visceral antipathy toward armed self-defense. In a column about the images of Asians associated with the riots, *Los Angeles Times* Assistant Metropolitan Editor Elaine Woo mentioned "the Korean shooters" and a Vietnamese man who was beaten in South L.A. "I suspect that the more troubling image for many of us is of the vigilantes," she wrote.

After the fire down the street started up again, I decided that I'd be up all night if I stayed home. My cat and I escaped to my girlfriend's house, which is safely distant from commercial buildings, the main targets of the rioters. A police car followed me into Beverly Hills, apparently to make sure I wasn't tossing any Molotov cocktails.

The next day I returned home. It was still there, but the Westside Market, the Baskin-Robbins, the Radio Shack, the pet shop, and several other stores down the street were gone. The 7-Eleven up the street, on the other hand, was unscathed, and soon two National Guardsmen were there to make sure it stayed that way.

It was rapidly becoming clear that the authorities could do little more than wait for the riots to pass, like some natural disaster.

Elsewhere, things were much worse. On Sunday I went to the First AME Church in South L.A. to help with the post-riot cleanup. On Adams Boulevard, a commercial street near the church, the buildings with broken windows and wrenched security gates were the bright spots; charred shells were all that remained of many. As I walked down the street along with several other earnest white people holding brooms and shovels, I heard a passer-by mutter, "Don't let nightfall catch you."

The church sent my friends and me out to Compton, where we stopped at a shopping center guarded by Marines. About 50 volunteers, a multiracial group that included neighborhood residents and people from as far away as Riverside, were sweeping up glass, shoveling rubble, and moving debris. Every store had been looted, from the Blockbuster Video on one end to the ABC Market on the other. One building had been burned to the ground. Through what was left of the windows at a five-and-dime, you could see merchandise scattered all over the floor. A piece of notebook paper was taped to the door. It read: "We Are Close To-Day." A clothing store had been picked clean. At a music store, a big sign in the window announced, "BLACK-OWNED BUSINESS—IF IT MATTERS!" It didn't.

I had never been in Compton before. Only in the wake of a riot, with hundreds of soldiers in the area, would I feel safe there. This irony was not lost on the people who live in L.A.'s rougher neighborhoods. One resident of South L.A., a stock clerk who worked at a market that was burned down on Friday night, told the *Los Angeles Times* he welcomed the military presence. "Man, I've never felt this comfortable before," he said. "I've lived here for 30 years and I have never stood on this corner because of the violence. I hope they never leave. It's like we're free for as long as they're here."

The fear that I felt for one night, because of an extraordinary breakdown in law and order, many people in the city feel all the time, because of a routine lack of law and order. In places like Watts and Compton, the government simply does not serve its central function of protecting citizens from theft and assault. The drug laws are part of the problem: The black markets they create exacerbate the violence, strengthen gangs, and add to the sense of menace. But the fact that Marines and National Guardsmen were able to restore to some neighborhoods a kind of order they had not known even before the riots implies a fundamental failure in law enforcement.

In the wake of the riots, every pundit and political activist had a plan for how government could address the "underlying causes" by giving people hope, jobs, and a stake in the community. But it will be hard to attract investment to places as scary as South-Central L.A. More to the point, if government cannot even give residents a modicum of physical security, how can it achieve the loftier goal of "revitalizing the inner cities"? ◼

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LETTERS

Healthy Prescriptions

The series of articles on health care in the March issue was outstanding. The political process is mostly talking about payment issues and ignoring the real issues of delivery of care. It's the same old story. Politicians want to talk about money and income transfers. The real issue is how the special-interest provider groups have been able to increase their incomes at the cost of the receivers of care. Changes in federal tax policy and regulatory reforms at the state level are at the heart of the needed changes in public policy on health care.

Ross C. Korves
Deputy Chief Economist
American Farm Bureau Federation
Park Ridge, IL

THE ARTICLES IN THE March issue were most informative. "Political Prescriptions" provides an excellent summary of the current Washington climate for health-care reform and the proposals being debated. As the tone of the article suggests, the pressing health-care crisis cannot wait for major solutions at the national level. Knowing that progress will be slow in Washington, we in Virginia are moving ahead in the areas of insurance reform by strengthening the primary infrastructure and critically looking at the appropriate use of our high-technology and cost-intensive resources.

"Market Medicine" raises the issue of appropriate manpower usage in the provision of health care. Faced with the cost of subsidizing expensive specialized physician training and fees, as well as the existence of many medically underserved areas, Virginia is looking at ways to better utilize alternative providers. Also, we need to go further when we talk about health-care quality. We need to address the appropriateness of procedures as they relate to the outcome of a diagnosis and treatment of a patient. After all, health care that does not significantly improve a patient's condition, such as additional tests, is unnecessary and adds to costs.

"Home Delivery" provides some good information that can be used as we continue to debate the appropriate place of nurse-midwives and birthing centers in Virginia's health-care system.

"Cold Reality" provides some excellent information about patient waiting times by specialty in the Canadian system. The article's look at Canadian forms of rationing is particularly instructive. I find it interesting to compare Oregon's public debate over health-care service priorities to the decisions made by hospital administrators and health officials through budgets in the Canadian provinces and hospitals.

Of course, we were pleased to see that Roanoke's Bradley Clinic had such a wonderful spotlight in "Doctors Without Bills." We are currently in the midst of assessing the primary-care needs of the uninsured throughout the state and encouraging more public/private community solutions in which communities identify local health-care problems, assume responsibility for the problems, and solve them locally. We have other successful examples in Virginia, but the Bradley Clinic, which annually provides approximately 7,000 physician visits and 10,000 free prescriptions on an operating budget of about $250,000 in donations, is truly a star in our system.

Gov. L. Douglas Wilder
Richmond, VA

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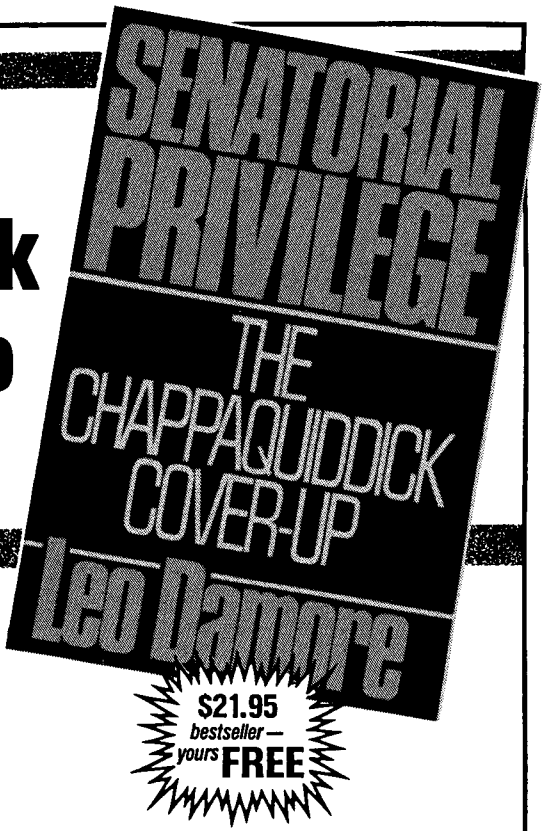
Despite a media brownout, this book fought its way onto the bestseller lists.



And when you read what it reveals about Teddy and Chappaquiddick, you'll see why.

Ray Kerrison explains it all in his *New York Post* column:

"The biggest surprise — and scandal — of the publishing season is the public's extraordinary demand for a book exposing Sen. Edward Kennedy's fatal escapade at Chappaquiddick, despite a review blackout by the nation's media giants.

This book is titled *Senatorial Privilege: The Chappaquiddick Cover-Up* (Regnery Gateway, $21.95). Written by Leo Damore, it made the *New York Times* non-fiction best-seller list yesterday for the eighth straight week.

Yet the . . . *Washington Post, Los Angeles Times, Boston Globe, Time* and *Newsweek* have all boycotted it.

The media blackout is all the more suspicious because Damore's account is a meticulous examination of what happened at the bridge and the aftermath. It was written with the cooperation of Joseph Gargan, a Kennedy cousin, who was involved in the nightmare. . . .

Damore's book leaves no doubt that: a) Kennedy left the party for a romantic interlude; b) he was drunk; c) he drove off the bridge at considerable speed; and d) his license had expired five months earlier.

It discloses how Ted Sorenson, President John F. Kennedy's speechwriter, drafted Sen. Kennedy's fictitious explanation of the tragedy for a national TV audience."

People Magazine shares the enthusiasm:

"An achievement of reportorial diligence, this book tells a story that the most imaginative crime novelist would have been hard put to invent. It is a tale of death, intrigue, obstruction of justice, corruption and politics. It is also one view of why Sen. Edward M. Kennedy was never indicted in connection with Mary Jo Kopechne's death . . . readers will find it hard to put down."

Adds the **Wall Street Journal**:

"Absorbing and definitive account . . . Damore . . . is a disciplined and relentless writer who makes his case more devastating because he never steps back and editorializes. Each falsehood, blunder and evasion is in tight focus. . ."

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LETTERS

Will Free Work?

As the director of one of the oldest and largest free clinics in the country, I appreciate the value of these agencies to the communities fortunate enough to have one. The Bradley Free Clinic ("Doctors Without Bills," Mar.) is a fine organization and has done an admirable job of enlisting the support of the medical community in Roanoke to assure continuity and success. Nevertheless, we should recognize that the free-clinic model has specific limits as well as values.

Free clinics may play an important role in the health-care delivery system of any community who can mobilize such efforts. The most obvious role is to serve those who do not have access to other care. However, when the free-clinic role is defined as a specific part of any national health-care plan, I believe we have extended our reliance on this model beyond the bounds of reason. This belief is not intended to devalue volunteerism or charity care; rather it focuses on the nature of free clinics. These agencies are designed to respond to community crises. They are able to mobilize resources to respond to emerging and changing health-care needs.

Free clinics flourish in the vacuum of unmet need. They are driven by the organizational value of the provision of quality service. Support bureaucracies, important in other systems to determine eligibility for care or for securing first- or third-party reimbursement, are anathema to their efficient operation. Free clinics should serve as the community conscience, advocating for inclusion into our health-care system those who are unable to gain access to health care, while assuring that their short-term needs are met.

Finally, I believe that it speaks poorly of the United States, a country that spends such a high percentage of our gross national product on health care, if we rely upon the charity of others to provide a system to assure basic services to our population. Free clinics are the fail-safe for those missed in the sweep of the system. Allow them to continue that role, one in which they have demonstrated ample effectiveness over time, and let us get on with the business of adopting a system to provide health care to all our citizenry.

W. Martin Hiller
Executive Director
The Free Clinic of Greater Cleveland
Cleveland, OH

ONE BIG IMPEDIMENT TO charitable work is the potential medical-malpractice liability. Medical professionals are asked to provide pro bono services, but doctors are just as exposed to suit for these services as they are from their paying clients. In fact, they may be even more exposed because the patients that they see for free are probably in worse shape, and therefore in more medical danger, than their paying clients.

One cure for this would be the charitable-immunity defense, but this doctrine was eliminated in Texas by the state Supreme Court years ago. I imagine that it only takes the sight of one community-minded doctor getting sued for his generous efforts to make others ask, "What's the point?"

Jim Parker
Austin, TX

A Helping Hand

Midwives want to practice with physician backup ("Home Delivery," Mar.). I would be delighted to back up midwives if I could be guaranteed that I will not be sued for malpractice. I will take whatever situation they hand me and do the best job I can consulting on it and remedying the situation for them if they will pay my malpractice insurance and any award that the patients might be able to extract from me.

Also, if they want to be allowed to practice in my hospital they will have to get some sort of special dispensation from regulators so that my hospital will not be disapproved, and they will have to free me from surveying their work, auditing their cases, or commenting on their management in any way.

John H. Koning, M.D.
Corona, CA

Canadian Club

If the Canadian system "rationed" health care, as Michael Walker argues ("Cold Reality," Mar.), we would expect to see significantly fewer hospital admissions than in the United States. Instead, the rates are roughly comparable. The popular anecdotal specter of the "waiting list" should be juxtaposed with the statistically verifiable higher death rates among the poor and uninsured in this country who, unable to afford health care, sometimes lack even the luxury of a waiting list until their illness has progressed beyond the point of no return.

As to rising health-care costs, the statement that "Canada doesn't control the cost of individual medical procedures" ducks the fact that costs such as physician's fees are controlled by negotiations on the provincial level.

The bottom line is that both systems appear to work, but ours costs more. This may be largely due to the fact that the U.S. system of private insurers and large hospital billing offices is three times more costly to administer, drawing valuable resources away from health care. Find a way to control those costs, by whatever means, and a solution may be well at hand.

John Walker
Coaldale, CO

Michael Walker replies: John Walker's letter indicates why it is that many people who think the market is the appropriate way to produce and distribute everything from bubble gum to automobiles nevertheless think "health care is different." Health care is an exceedingly complex product and deficiencies in its production are difficult to ascertain. That is why people in U.S. audiences will politely listen to Canadian experts offering monopoly medicine as the cure for U.S. ills. The same audiences would laugh off the stage an expert opining that an automobile monopoly would solve the auto sector's problems. Everybody can tell that a Trabant is an inferior product.

Mr. Walker says that if there is rationing in Canada, there should be lower

hospital admissions. This simply isn't the case. A recent personal example will illustrate. In January I was diagnosed as having a kidney stone lodged in my ureter. My heavy travel schedule and the associated risks caused my urologist to recommend that I have the stone removed. Lithotripsy is a painless way to do this. Unfortunately, the waiting lists for this procedure were much longer—three weeks—than I could wait. I had the stone removed by the direct and more painful technique that was the only solution before lithotripsy was invented and the only means effectively available to me in British Columbia at that time.

In this case, a hospital admission and surgery are actually recorded in our statistics because there is a waiting list for the lithotripter. In other cases, procedures that are done in private clinics in the United States would be done in hospitals in Canada, because such clinics do not exist here.

On death rates and poverty and the notion that nationalized health care will make a difference, the following comment appeared in a recent issue of the *B.C. Medical Journal*: "...twice as many infant deaths occurred in the most-poor areas as in the least-poor areas....Among adults, those in the most-poor areas had the shortest life expectancy, with males in the most-poor areas living six years less than those in the least-poor areas." This study refers to the two largest cities in British Columbia. Monopoly, nationalized health care will not solve the problems of the poor.

Physicians' fees for services are controlled. Until recently, the total billings of physicians were not. Numbers of patients seen per day adjusted so as to partially offset the impact of the fee controls. Since the fee is meant to buy a physician's time, a combination of reduced time and lower fees produces an unknown change in the cost per unit of service actually provided.

On the costs of administering the competitive, private U.S. health-care systems, I think Mr. Walker is really on to something, but he doesn't go nearly far enough. Think, for example, of all the money that could be saved if the wasteful duplication involved in the automobile market were eliminated. Think of all the invoices and other paperwork, not to mention showrooms, service people, and other duplicated facilities, that could be eliminated. Think of all the advertising workers and media space and time that could be freed up. And, when we're finished with autos, let's turn to breakfast cereals and from there to life insurance, and what about all those gasoline stations wasting all the space on our best street corners selling, on a competitive basis, essentially identical products? Before we are done we can save half of the GDP, which would not only provide everybody with health care, but also ensure, finally, that nobody in the United States would have an income less than the average. (I know, but now is no time to get technical!)

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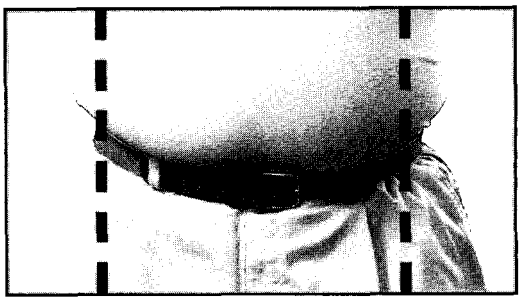

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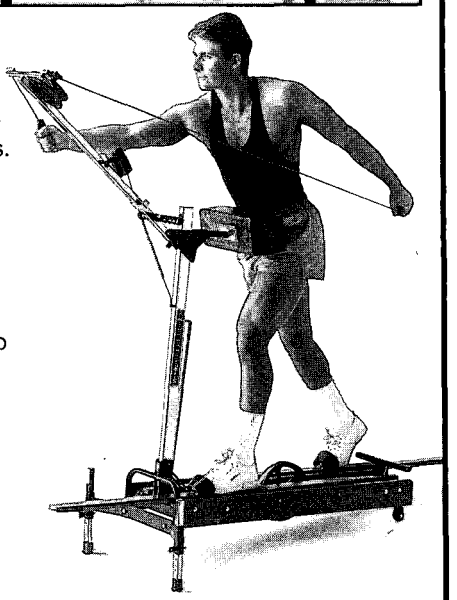

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Healthy Choice

Despite much rhetoric about America's health-care system, a recession-restricted Congress probably won't undertake any expensive reforms soon. (See "Political Prescriptions," March.) A new organization of insurance companies and health-care consultants hopes the lull will give it time to propose its own market-oriented plan.

Based in Alexandria, Virginia, the Council for Affordable Health Insurance believes that encouraging people to purchase insurance when they're healthy will bring rates down. It also argues that if consumers have incentives to shop around for routine, nonemergency care, the costs of such procedures will fall too.

Greg Scandlen, the council's executive director, notes that perverse incentives drive health-care costs up. Consider a person whose health-insurance policy covers 100 percent of his medical expenses. When he goes for a physical examination, the doctor may charge the insurer $50. As much as half of that fee is eaten up by the paperwork needed to file the claim, says Scandlen, so the patient really gets only $25 of health care.

By contrast, if the patient had to pay for the physical with his own money, he would probably try to find a doctor to perform the examination for less than $50. Scandlen says entrepreneurial physicians would accommodate him.

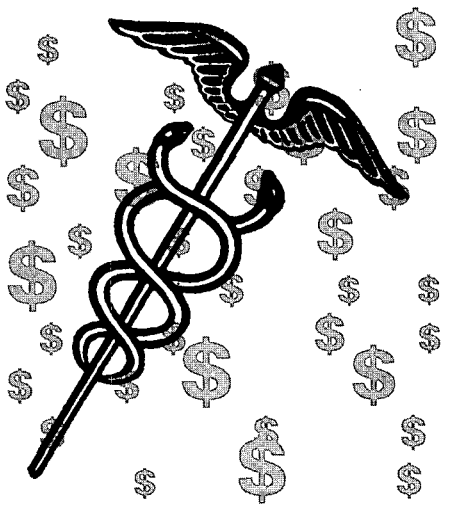
Coverage that requires little or no contribution from policyholders, and therefore gives them little or no incentive to shop around, usually comes from employers. The cost of such coverage is tax-deductible for businesses and tax-free for employees. When individuals purchase their own insurance, on the other hand, they still have to pay taxes on the money they use.

The council would eliminate this artificial incentive for employer-provided health insurance. It argues that if the tax code treated health-care spending by individuals and businesses identically, workers would rather receive the money their employers currently spend on health-insurance premiums in cash. Then any money they could save by economizing on coverage would be theirs to keep.

As an extra incentive for individuals to purchase insurance, the council backs tax-deferred individual medical accounts (IMAs), analogous to individual retirement accounts. An IMA holder could add as much as $3,000 a year to the account and use the money, tax-free, to purchase any medical care, including insurance. Poor people would receive taxpayer-supported medical vouchers, which Scandlen hopes would eventually replace Medicaid.

The council supports an IMA proposal sponsored by Sen. Dan Coats (R-Ind.). Eventually, Scandlen says, the group hopes to draft a model bill outlining its entire program.

—Rick Henderson



The Franking Congress

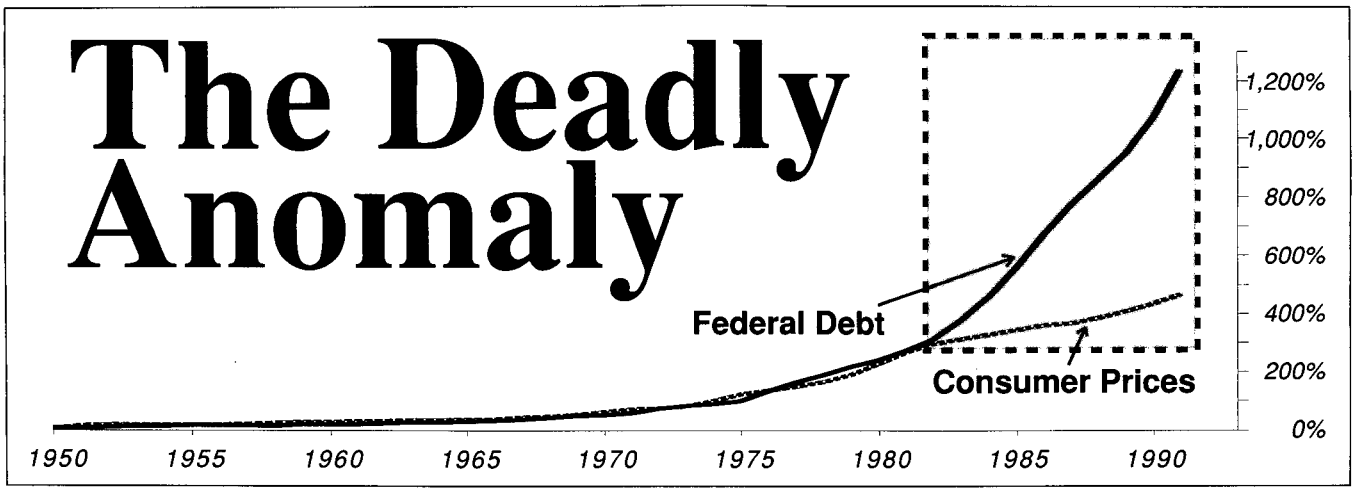
Last year, members of the House of Representatives spent almost $45 million to send out around 106 million pieces of mail. As is usual in the year before an election year, House mailings more than doubled in the second half of the year. House members spent $14.3 million in the first six months of 1991 and $30.4 million in the last six months. Much of this mail was sent to "introduce" members to new voters in redrawn congressional districts.

TOP TEN HOUSE FRANKERS

Member	State	Postage	Cost per address
Barbara-Rose Collins	(D-Mich.)	$164,872	99 cents
Nick J. Rahall	(D-W.Va.)	$172,350	98 cents
Bill Paxon	(R-N.Y.)	$191,693	94 cents
Thomas Downey	(D-N.Y.)	$153,641	94 cents
William O. Lipinski	(D-Ill.)	$168,806	91 cents
Charles Wilson	(D-Tex.)	$208,597	90 cents
Eliot L. Engel	(D-N.Y.)	$168,403	89 cents
F. James Sensenbrenner	(R-Wis.)	$186,390	88 cents
Wayne Owens	(D-Utah)	$181,666	87 cents
Jolene Unsoeld	(D-Wash.)	$222,018	86 cents

Source: *The Washington Times*

The Deadly Anomaly



How this economic time-bomb points to the profit opportunity of the century.

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The strategy they followed required no trading. Just one call to a broker.

A lucky call? A fluke? Not on your life. This was no guess. This was a certainty.

This remarkable investment call resulted from 20 years of research and analysis that has uncovered one of the biggest economic distortions in history!

The great majority of economists are oblivious to the link between inflation and government debt, and have not noticed this ominous divergence in the growth of these two key measures.

One observer, however, has watched it with increasing alarm. Economist and author John A. Pugsley, who discovered the divergence, calls it, "The Deadly Anomaly."

Why "deadly?" Because it is dramatic evidence that the U.S. is in the middle of an economic bubble of historic proportions, and the collapse of that bubble will have lethal effects on the fortunes of most savers and investors.

A CLASSIC MANIA

The great investment bubbles of history—the Tulip-Bulb mania of 17th century Holland, the Mississippi bubble, the Roaring Twenties—all have one thing in common: *they were never seen as bubbles at the time.* Infected by the virus of soaring asset prices, the public became blind to fundamental principles of value. Amateur and professional investors alike fell victim to a euphoria that led to disaster.

It is happening again. Only this time the potential consequences are even greater.

While manias historically have occurred in relatively small asset markets (tulips, regional real estate, stocks, etc.), this time the bubble is in the biggest asset market in the world: *U.S. Treasury bonds.*

In a landmark new work, *The Interest-Rate Strategy*, John Pugsley exposes the key elements that have led to this world-wide bond-market distortion.

The underlying problem is debt. More specifically, it is an avalanche of irredeemable government debt.

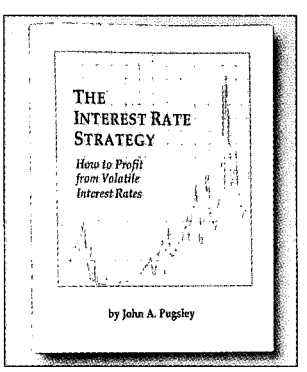
During this past decade the nation has been on the worst credit binge in history. Total federal debt has grown from $800 billion in 1981 to about *$4 trillion* today. In just 10 years Treasury debt has more than quadrupled!

The most fundamental economic laws say that as the quantity of anything increases, *the price should fall, not rise.* Yet, in the face of an unprecedented deluge of federal IOUs, *T-bond prices have soared.* It flies in the face of reason, logic, and economic law.

INVESTOR MYOPIA

Investors are oblivious. In their euphoria they see only the bait: these bonds are assets. They fail to recognize the trap: these "assets" are also liabilities. Liabilities *that can never be repaid.*

Supporting his premises with detailed graphs and historical comparisons, Pugsley makes a sobering and incontestable case—a correction must occur, and the evidence is mounting that the correction is already underway. The anxiety over the Treasury bond auctions, fluctuating interest rates, a stalled stock market, a crisis in the banking system...all are only tiny hints of the dramatic upheavals that lie just ahead.



Because the majority of investors are oblivious of this approaching storm, *those who understand what is happening have a virtual license to steal over the next three years.*

Bond-market positions entered 24 months ago have quadrupled. They could double again within weeks. And positions held for the next two to three years could result in gains of 1,000%, 2,000% or more. That's right, we mean potential returns of 10-to-1, 20-to-1, or even greater.

3 WAYS TO PROFIT

To capitalize on the coming change, *The Interest-Rate Strategy* outlines a simple plan that uses three independent bond-market mechanisms. Each has dramatic potential on its own, and each can be entered separately. Together they are an unbeatable combination.

You don't need to be a sophisticated investor to understand and profit from these ideas. *The Interest-Rate Strategy* sets out a 1-2-3 formula that anyone can follow. Best of all, there is no trading. This is a long-term, low-risk, buy-and-hold concept.

You can tailor the strategy to your own profit objectives and the risk level that suits your temperament. Big investor or small, conservative or speculative, this idea should be part of every financial plan. These mechanisms are ideally suited to protect holders of bonds, savings accounts, trust deeds, and pension plans against losses due to rising interest rates and bond market turmoil.

Some investors have worried that the immense gains of the past few months mean that they have missed the opportunity. Far from it. Those gains have occurred in just one segment of the plan. Two parts of this easy-to-implement strategy are now at ideal entry points, and even the 300% jump in the third part is no more than one-fourth of the anticipated move!

THE AUTHOR

John Pugsley is an internationally respected economist and financial author. His 1974 best-selling book, *Common Sense Economics*, accurately predicted the inflationary explosion that followed the demise of the Bretton-Woods agreement. Many readers made fortunes following his advice.

In 1980, when most economists were convinced that Reagan's tax reform would balance the federal budget by the end of his first term, Pugsley's book, *The Alpha Strategy* (8 weeks on the New York Times best-seller list), boldly warned that the U.S. would experience "the largest deficits in the history of the nation in the next five years," and showed small investors how to protect themselves.

His unique application of economic theory to commodity markets resulted in publication of *The Copper Play*, in which he predicted the price of copper had to double, and his original strategy resulted in dramatic profits for those who followed his system.

For 10 years John wrote and published *Common Sense Viewpoint*, a unique financial newsletter enjoyed by tens of thousands of devoted readers.

After a three-year vacation from financial writing, John has returned with fresh insights born of careful, systematic research. His new flagship publication, *John Pugsley's Journal*, focuses the powerful lens of science and simple common sense on world events. Like radar in the fog, these principles illuminate unseen risks and opportunities that are invisible to conventional analysis.

As his loyal readers have acclaimed for two decades, nothing in the entire field of economic and financial publications approaches the clarity, consistency, and logic of John Pugsley's work. Reading it will dramatically improve your understanding of the powerful forces at work in the age you live in.

Now in *The Interest-Rate Strategy* John has once again used common sense economics to uncover what could be the investment opportunity of the century.

ACT QUICKLY

Even as you read this, world bond markets have begun to sense and react to the distortion, so we strongly urge you to read *The Interest-Rate Strategy* immediately.

The regular price is $49. However, as part of a special offer, respond immediately, and your cost is only $35 plus $3 shipping.

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BALANCE SHEET

Assets

Kinnock-out. The Major lesson of Great Britain's election: Voters distrust statists more than they do incumbents. Stateside candidates, pay attention!

Brussels Pouts. The Major victory may also kill a European superstate. The British prime minister becomes E.C. president in July. He backs national sovereignty and wants to add former communist countries to the community. Right-wing challengers also threaten the Eurocrats' best buddies, France's Francois Mitterand and Germany's Helmut Kohl.

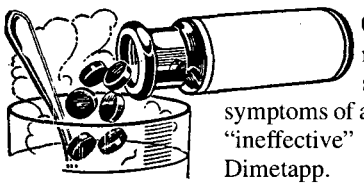
Jurist Prudence. Conservative bastion Orange County, California, becomes the latest center of antiprohibition sentiment, as two local judges—U.S. Magistrate Ronald W. Rose and Superior Court Judge James P. Gray—call for drug legalization. "The courtrooms and jails are clogged, and I see gangs of people involved with drugs who would put the Mafia to shame," former prosecutor Rose tells *The Orange County Register*. "We need to take the profit out of this. That is what drives the problem."

Global Retreat. How to discredit a green conference: Turn it into a congressional junket. *The Washington Times* reports that taxpayers will fund two weeks of sun and fun for 24 members of Congress and their spouses in Rio de Janeiro this June. Oh, they'll also attend the U.N.'s Earth Summit. Maybe Sam Donaldson will tag along.

Liabilities

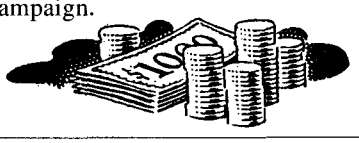
Ungraded Grads. Starting this fall, Pennsylvania high-schoolers can earn diplomas by merely exhibiting healthy self-esteem. (See "School Daze," May.) Students can bypass traditional curriculum requirements if they master 51 "learning outcomes," including "recognizing the intrinsic uniqueness, worth and rights of each person." Pass the granola, dude.

Limits to Credibility. Ecodoomsters unveil *Beyond the Limits*, an apocalyptic update of 1972's completely inaccurate *Limits to Growth*. The authors say "resources are drained too much and a collapse is no longer avoidable." Nonsense, blasts World Bank economist Larry Summers. Their gloomy computer model "has no validity....The conclusions are built in."



Cold Comfort. House drug warriors attack cold remedies. Sanctimonious Rep. Ted Weiss (D-N.Y.) says over-the-counter antihistamines relieve the symptoms of allergies but not colds. He wants the FDA to rule them "ineffective" and take them off the shelves. Better stock up on Dimetapp.

Lawyers, Guns, and Money. *The Wall Street Journal*'s Paul Gigot finds something Bill Clinton believes in: chasing ambulances. "I happen to know that Bill Clinton is against tort reform of any kind," boasts plaintiff attorney Robert Habush in a campaign-approved fund-raiser. "America's trial lawyers," Gigot says, "have become the stealth financiers" of the campaign.



—Rick Henderson

Bursting the Balloon

Just before President Bush's February "drug summit" with Latin American leaders in San Antonio, a congressional report explained why the meeting was a waste of time.

Issued by Rep. Charles E. Schumer (D-N.Y.), chairman of the Subcommittee on Crime and Criminal Justice, the study begins by expressing support for "international efforts to control the supply of dangerous drugs." But the body of the report, which analyzes the administration's Andean Initiative, points to fundamental problems with drug interdiction and eradication programs, which consume billions of taxpayers' dollars each year.

The subtitle of the study, "Squeezing a Balloon," refers to the futility of trying to stamp out drug production and trafficking. Suppressing production in one area simply pushes it elsewhere: from Southwest Asia to Southeast Asia (heroin), from Mexico and Colombia to the United States (marijuana), from Peru and Bolivia to the rest of Latin America (coca). Similarly, cracking down on one smuggling route shifts traffic elsewhere.

"It is virtually impossible to account for every plot of land planted with coca," the report says. "The land suitable for coca cultivation is virtually limitless....When pressed, Administration officials and DEA agents acknowledge they cannot say with any certainty how much cocaine is being produced or being shipped to the United States."

The study notes that most of cocaine's eventual cost is added after it arrives here, so it's relatively easy for traffickers to replace supplies seized in transit. Consequently, interdiction is a very inefficient way to raise the retail price of cocaine.

"What was envisioned as a quick fix has become a protracted struggle, with no end in sight," the report says. It concludes that government studies of interdiction and eradication "raise doubts about whether any feasible supply-reduction activities can produce a sustained impact on cocaine consumption in the United States."

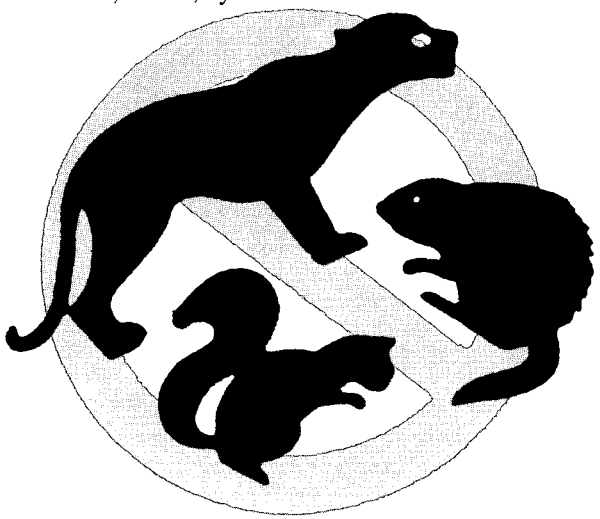
—Jacob Sullum

Endangered Law?

The U.S. Fish and Wildlife Service will soon propose changes in the way it enforces the Endangered Species Act, greatly expanding the scope of its powers. In a move that has been expected for some time, reports columnist Alston Chase, Fish and Wildlife will ask for the power to list hybrid species under the Endangered Species Act.

The act specifically protects only distinct species, subspecies, and populations. (See "All Creatures Great and Small," March.) And soon after it was passed in the early 1970s, Fish and Wildlife drafted enforcement guidelines that exempted hybrid species from protection.

Environmentalists have always opposed that exemption. And that opposition has only increased over the last decade as advances in genetic testing of endangered species have made it clear that some politically popular animals on the endangered or threatened species lists are, in fact, hybrids.



The Minnesota timberwolf, for example, is a wolf-coyote cross. And the Florida panther is a cross between native panthers and South or Central American pumas that were probably accidentally introduced into the Florida habitat within the last century.

Things came to a head last December, after the American Sheep Industry Association petitioned Interior Secretary Manuel Lujan to remove the red wolf from the endangered species list because it is a hybrid. Genetic testing has shown that the red wolf is just a mix of wolves and coyotes. (Coyotes are so common and are such pests that the federal government pays hunters to kill them.)

If the hybrid policy isn't changed, Fish and Wildlife could be forced to remove some of the most high-profile animals from the endangered species list. Environmentalists worry that removing popular animals could weaken support for the Endangered Species Act as a whole.

—Charles Oliver

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BRICKBATS

Some people take their right to a jury of their peers rather literally. In Houston, Texas, the lawyer for a four-foot-six-inch man accused of fatally shooting his grandfather has asked that the jury pool include some people who are five feet tall or shorter to guarantee a fair trial.

In the former Soviet Union, freedom marches on. Moscow's first sex shop has opened, providing the natives with a wide selection of blue movies, inflatable dolls, and "orgasm creams."

Those of you who like to play board games may want to pick up Serial Killer. The object of the game, which comes in a body bag, is to travel around the country, collecting as many kills as possible, without getting caught. Those ladies down at the Parents' Music Resource Center are going to love this one.

The FBI has asked Congress to force phone companies to install equipment that will make it easier to eavesdrop on telephone conversations.

Big-government conservatism at work: Vice President Dan Quayle's staff had convinced him to oppose continued funding for a space station. But, reports *The Washington Monthly*, Budget Director Richard Darman changed Quayle's mind. He told the veep that if the money wasn't spent on the space station it would just be used on social programs.

The City Council of Lagrange, Indiana, is considering expanding the town's open-container law to bar drivers of horse-drawn buggies from drinking alcohol. The ordinance is aimed at local Amish lads who get tanked up and careen wildly through the streets.

The Florida Commission on Human Rights has ruled that the Jacksonville sheriff's office illegally discriminated against transsexual jail guard Belinda Smith. Smith was fired in 1985, while she was still a man, for wearing women's clothes.

THE TORCH HAS BEEN PASSED...

In the last three years, Charles Plunkett has given hundreds of rides home to bar patrons too drunk to drive themselves. Now the California Public Utilities Commission has ordered him to get a state permit to carry passengers or go to jail.

Minnesota Gov. Arne Carlson was lecturing a class of fifth-graders in Duluth on the importance of studying and using their imagination. Turning to the blackboard, he wrote *immajination*. After studying the word, he erased the *j* and wrote a *g*.

A few years ago, special investigators demanded that Ed Meese and Oliver North turn over their records. Meese and North said the move would violate the confidentiality the administration needed to run foreign affairs. Congress complained about a cover-up. Now the special prosecutor investigating the House Bank has subpoenaed the bank's records. The House is going to fight the subpoena because it violates members' "confidentiality."

California's program of taxing tobacco to fund an antismoking public-relations campaign has drawn lots of praise. So it isn't surprising that some people want to expand the idea. Writing in the *Western Journal of Medicine*, Dr. Thomas S. Bordenheimer called for slapping excise taxes on fatty foods such as fries and burgers to fund anticholesterol messages.

Spy magazine says that the next time we hear politicians complain about how expensive it is to run a campaign we should tell them to spend their money more wisely. *Spy* discovered the following purchases made with campaign funds: Rep. Guy Vander Jagt, $2,023 for season tickets to the Muskegon Hockey Club; Sen. Wyche Fowler, $18,240 for tickets to *Miss Saigon*; Rep. James Traficant, $9,100 for golf expenses; Sen. Joseph Biden, $6,787 on "mementos"; Sen. Orrin Hatch, $602 on candy; and Sen. David Boren, $6,621 on a birthday party for himself and $22,000 to redecorate his Washington, D.C., office.

—Charles Oliver

The Real Story of Anita Hill

The NEW American Spectator
THE AMERICAN SPECTATOR
MARCH 1992
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NREAS1

POLL-AXED

BY TODD SEAVEY

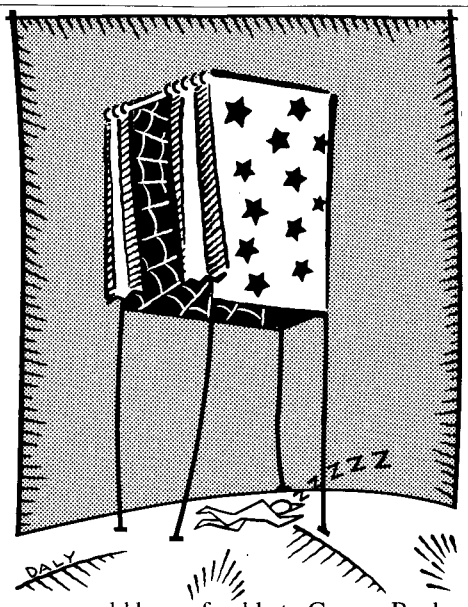
When April 7 rolled around, I found myself wondering if I should vote in the New York presidential primary. I have heard that it is not rational for any given individual to vote in a national election. Since the odds of his single vote influencing the outcome are so small, his time would be better spent in other pursuits. Human life is finite, after all, and I could be using the time to read a newspaper, stare at the wall, or look for a job.

Then again, there is the thrill, irrational or not, of participating in the political process. Too, the 1992 presidential race seems to me an important one: In the Democrats, George Bush, and Pat Buchanan, we have a clear choice among destructive Big Government, blundering welfare-statism, and counterproductive isolationism. How can I afford to sit idly by? (As Woody Allen once said, one road leads to despair, the other to annihilation—let us hope we have the wisdom to make the right choice.)

I am a recent immigrant to the big concrete and steel apple, and I registered as a Republican here, figuring it's the only major party with a vague commitment to free markets. More important, it would present me with the valuable mental challenge of trying to choose between Bush and Buchanan.

So I decided I would vote in the primary, if only as a personal growth thing. Besides, if that argument about it being irrational to vote ever became so widely known that all rational people stayed away from the polls, it would presumably have a noticeably negative effect on American politics.

In any case, the polling place was next door to my apartment building anyway, so why not? The first duty of a voting Republican in 1992 is to examine Pat Buchanan, so I took a look at him. The first thought to cross the mind of a voting Republican in 1992 is that perhaps any-



one would be preferable to George Bush. In fact, I decided that either Pat Buchanan or his liberal *Crossfire* opponent, Michael Kinsley, might be better than Bush. Kinsley isn't running for office, though, so I was left with Buchanan.

Then a scary thing happened. I found myself being chastised for liking a "fascist" Republican by, of all people, abdicated drug czar William Bennett, who, in a TV interview, urged Republicans to vote for Bush's "inclusive" conservatism instead of Buchanan's chauvinistic variety. How could I have fallen so low that William Bennett was lecturing me on open-mindedness?

That was when I decided I could vote for neither Bush nor Buchanan. Buchanan, after all, had been growing increasingly protectionist and isolationist, so I was worried about how strange a candidate he would mutate into by the time I got around to voting for him in the primary.

Buchanan is a lot like a parody of a conservative created by a leftist satirist. Leftists unjustly accuse conservatives of being just another interest group—one representing native-born, white Christian men. But Buchanan actually sees himself this way. And he defends this political outlook by pointing to the self-interested partisanship of the other political factions in the world, from feminists to Japanese lobbyists. For him, the 20th century is not so much the story of the rise and fall of socialism as it is the story of competing nations and tribes, a story beginning and ending with tensions in Serbia.

But even in this fragmented, post-modern era, someone's got to stick up for the idea of universal, global human rights. So I abandoned my thoughts of voting for Buchanan in the primary in favor of a write-in for humorist Dave Barry, who claims to be running for president. Unfortunately, a friend of mine informed me, New York doesn't count write-ins.

So with a heavy heart, I began to contemplate going to the polls and voting for George Bush (though I'll vote Libertarian in the general election). The only thing that could have gotten me to vote for Buchanan at that point was a guarantee from the Democrats to nominate Jerry Brown. The entertainment value of those two running against each other might be great enough to justify the danger to the country's general welfare.

When the old woman in charge of the list of registered voters at my local poll looked up my name on April 7—as I glumly eyed the nearby voting booth—she raised her head in alarm and said: "He's a Republican! He can't vote! He's a Republican!"

I looked around nervously, suddenly feeling lost behind enemy lines, then fled back to my apartment, where I called my local board of elections. The man on the phone explained that there was no Republican primary in New York, since Buchanan was not officially registered as a challenger. Or as he put it: "The Republicans, only one of them is President, and the other one, he don't count for much."

Todd Seavey is a writer in New York City.

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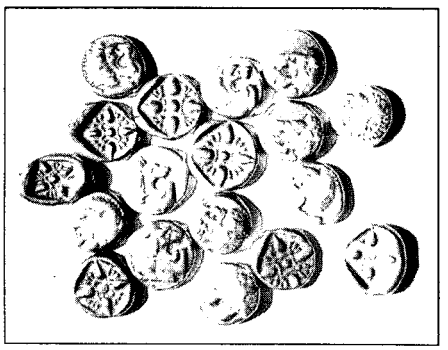

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THE SPIRITUAL SIDE OF CAPITALISM

By Brink Lindsey

MARC MICHELON

It is possible to juxtapose images from the fall of communism in a way that deflates the whole event. Yeltsin standing atop the tank, compared with the opening of McDonald's in Moscow; young people dancing on the Berlin Wall, compared with the hordes of East Germans pouring into West Berlin to shop—these and other images raise a question whether the triumph of freedom is, ultimately, the triumph of something mundane and even banal.

There is no doubt that these convulsive times have thrown forth giants and heroes: Walesa, Wojtyla, Havel, Sakharov, Yeltsin. As the lives of these men epitomize, there is greatness and inspiration to be found in the overthrow of a monstrous tyranny. What is less clear, however, is whether the new order now being established will itself be capable of greatness, whether it can provide new sources of inspiration.

We are currently witnessing, not only in Eastern Europe but around the world, the triumph of capitalism, the system of economic freedom. Communism, the great revolt against spontaneous market order, has finally been quashed. Elsewhere, in what has been called the developing world, socialistic autarky is being abandoned in favor of linkage to the international capitalist economy. The free-market system has become, to an extent never before matched, an integrated global phenomenon. Moreover, its fundamental institutions have at present no serious rivals. It is timely, therefore, to step back from the buzz of recent events and think about the larger significance of the capitalist ascendancy. Communism may be terrible, Third World poverty may be terrible, but how good is bourgeois commercial society?

Capitalism since its inception has been derided as a spiritually stunted system. The bill of indictment is familiar: Commercial society is driven by the base motivation of greed; it replaces the vital and organic human connections of family, community, nation, and faith with the attenuated and flimsy bond of the cash nexus; it debases life by reducing everything in its sphere to dollars and cents; it panders to the lowest common denominator of mass tastes, elevating the tawdry and vulgar over the lofty and original; and, in the end, it serves no higher end than the mindless accumulation of things.

These attacks on commercial society have come from both left and right. According to

Marx, the bourgeoisie "has left no other bond between man and man but crude self-interest and callous 'cash payment.' It has drowned pious zeal, chivalrous enthusiasm and popular sentimentalism in the chill waters of selfish calculation."

Nietzsche, operating from diametrically opposed premises, arrived at an equally vociferous denunciation of capitalist society. He heaped contempt on the conformist banality of the "last man": "No shepherd and one herd! Everybody wants the same, everybody is the same: whoever feels different goes voluntarily into a madhouse."

To be sure, capitalism has its characteristic vices; even the most fervent defender of the market economy would be hard-pressed to argue that the litany of complaints cited above is wholly without merit. The pettiness of greed is visible at every socioeconomic level in the obsession with status symbols and the foolishness of brand-name snobbery; the destructiveness of greed can be seen in the lives of all those who feel trapped in well-paying but unrewarding jobs. The hollowness of the cash nexus is well-known to anyone who was raised in the rootedness and familiarity of a small town and who now runs the rat race of anonymous and impersonal urban existence.

To take just one example of metastatic commercialism: College football was long ago corrupted by money, but the corruption has now attained an almost sublime absurdity with the renaming of bowl games after corporate sponsors, e.g., the "USF&G Sugar Bowl" and—unbelievably—the "Poulan Weedeater Independence Bowl." As to cultural vulgarity, take your pick: Geraldo, professional wrestling, the *National Enquirer*, the Elvis cult, Teenage Mutant Ninja Turtles, and so on ad nauseum.

Although obsessive materialism and crass commercialism are undeniably a part of modern capitalism, they do not constitute its whole. To condemn commercial society as nothing but an empty rush for things is to engage in caricature and distortion. There is much more to capitalism than things: Capitalism is also about creativity, ingenuity, dedication, and perseverance; it is about teamwork and competition; it is about the fulfillment gained from working hard to do a job well; it is about pursuing your dreams, however humble or grand. Commercial life, at its best, generates spiritual as well as material abundance.

This spiritual element of capitalism has been obscured by pervasive misunderstanding of how the wealth-creation process works. The enemies and disparagers of capitalism have generally made the mistake of regarding the creation of wealth as a mechanistic and automatic process. In the Marxist view, productivity and growth result from the operation of unalterable historical laws. The capitalist phase of development has "solved" the "problem" of production once and for all; all that remains is to ensure that the fruits of this production are enjoyed by the right people. Never was this determinist conception of wealth-creation more glaringly evident than in Lenin's hopelessly naive picture of socialist production: He thought that the requirements for planning and running an economy had already been "simplified by capitalism to the utmost, till they have become the extraordinarily simple operations of watching, recording and issuing receipts, within the reach of anybody who can read and write and knows the first four arithmetical rules."

In today's dominant conventional wisdom, economic vitality is seen as a function of macroeconomic variables such as interest rates, trade balances, budget deficits, and exchange rates. In what Tom Bethell calls "hydraulic economics," bureaucrats keep the big GNP machine humming along by moving these macroeconomic levers about as changing conditions dictate.

Such mechanistic understandings of economic life miss entirely the continuing and ever-expanding dependence of capitalism on human creativity. In particular, they fail to grasp the central role of the entrepreneur in driving capitalist production. The source of all capitalist wealth creation is the new idea: the invention of a new product, the development of a new production technique, the exploitation of a new market. It is the entrepreneur who takes the idea, often his own, and transforms it into reality, staking his time and money, as well as others', all on the belief that the idea has value.

In the words of Joseph Schumpeter: "To undertake such new things is difficult and constitutes a distinct economic function, first, because they lie outside of the routine tasks which everybody understands and, secondly, because the environment resists in many ways that vary, according to social conditions, from simple refusal either to finance or to buy a new thing, to physical attack on the man who tries to produce it. To act with confidence beyond the range of familiar beacons and to overcome that resistance requires aptitudes that are present in only a small fraction of the population and that define the entrepreneurial type as well as the entrepreneurial function."

The motive force of capitalism, then, is not some historical autopilot, or the fine-tuning of technocrats, but rather the power of entrepreneurial imagination: first, the power to conceive some new vision of untapped possibilities, and then the will to remold reality in conformity with that vision. Apposite in this regard is Michael Novak's observation that the root of the word *capitalism* is *caput*, or head: The market process, contrary to what its detractors say, is fundamentally a spiritual phenomenon.

The great innovators of capitalism possess a species of genius no less real than the genius that animates great works of art, or great discoveries of science, or great acts of statesmanship. We see this genius, historically, in such people as Rockefeller, Carnegie, Edison, and Ford, men whose vision carried them "beyond the range of familiar beacons" and into new worlds of their own making.

Interestingly, Schumpeter himself, the great champion of the entrepreneur, mistakenly believed that entrepreneurship was becoming obsolete, that innovation was being routinized within the R&D departments of giant corporations. Inspiration and intellectual daring, he feared, were giving way to tepid bureaucratic rationality. What Schumpeter failed to see was

that bureaucratic inertia would frequently render large corporations resistant to necessary change. As a result, the creative genius, the outsider with a vision and no stake in the status quo, remains an essential element of capitalist vitality: Witness, in our own day, such examples as Steven Jobs of Apple, Bill Gates of Microsoft, Ken Iverson of Nucor, and Ted Turner of CNN.

The spiritual energy that produces material wealth is by no means limited to a handful of tycoons, or even to the entrepreneurial economic function. Those who implement the entrepreneurial vision must also contribute their creativity and dedication if the vision is to succeed. The amount of knowledge and skill required to run a modern capitalist economy, with its amazing complexity and diversity of production, is enormous and must by necessity be widely distributed. While manual, unskilled labor is still needed, it has been consigned to the margins of economic life. To an ever-increasing extent, the continuing vitality of commercial society hinges on the mental effort of vast numbers of people.

Commercial society thus requires a large spiritual investment from its participants. Workers must do more than use their muscles or follow explicit instructions by rote; they must hone their skills, think things out for themselves, take initiative, assume responsibility. This spiritual investment brings spiritual benefits: namely, the fulfillment that arises from developing and exercising one's capabilities to surmount a challenge.

Charles Murray, in his book *In Pursuit*, builds his discussion of the preconditions of happiness around Abraham Maslow's hierarchy of human needs. At the summit of this hierarchy, above simple subsistence and physical security, above emotional intimacy and self-respect, is something Maslow called "self-actualization." In essence, this concept refers to the basic need of human beings to "realize their potential"—to develop talents and abilities and then use them, to be good at something that is hard to do. Murray quotes the philosopher John Rawls, who in turn was paraphrasing Aristotle: "Other things equal, human beings enjoy the exercise of their realized capacities (their innate or trained abilities), and this enjoyment increases the more the capacity is realized, or the greater its complexity."

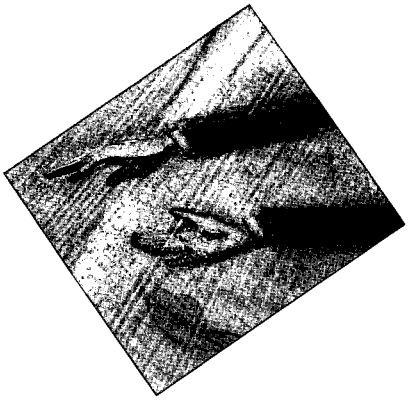
In other words, human beings need challenges; they need to take on tasks that stretch and expand their abilities. As Murray says, "Challenge is a resource for meeting the human need called enjoyment, just as food is a resource for meeting the human need called nourishment. If one measure of a good society is its production and distribution of food, another measure of a good society is its production and distribution of challenges."

Capitalism, then, by creating opportunities for demanding and challenging work, creates opportunities for "self-actualization." By asking that people apply themselves to develop special skills or expertise, the free market gives them the chance to savor the mastery of something difficult.

The spiritual richness that is possible in commercial life—the interplay between effort and reward—is nowhere more grippingly portrayed than in Tracy Kidder's Pulitzer Prize–winning (and aptly titled) *Soul of a New Machine*. Kidder tells the story of engineers at Data General Corp. and their efforts during the late '70s to build a new generation of minicomputers. The book reads like a thriller, yet there are no chase scenes or shootouts or mysterious women or dark conspiracies; most of the action takes place in a windowless basement computer lab. What drives the plot is the competitive threat of archrival Digital Equipment Corp., corporate intrigue within Data General, and, above all, the intellectual drama of designing and debugging a complicated new machine under crushing time constraints.

What comes across so compellingly in Kidder's account is that this year-and-a-half-long project—with its long hours and no overtime pay and all its stress and frustrations—was an ennobling experience for those who participated. As Kidder says near the end of the book:

"Presumably the stonemasons who raised the cathedrals worked only partly for their pay. They were building temples to God. It was the sort of work that gave meaning to life. That's what West and his team of engineers were looking for, I think. They themselves liked to say they didn't work on their machine for money. In the aftermath, some of them felt that they were receiving neither the loot nor the recognition they had earned. But when



Human beings need challenges. Capitalism, by creating opportunities for challenging and demanding work, creates opportunities for personal fulfillment.

they talked about the project itself, their enthusiasm returned. It lit up their faces....

"Many looked around for words to describe their true reward. They used such phrases as 'self-fulfillment,' 'a feeling of accomplishment,' 'self-satisfaction.' Jim Guyer struggled with those terms awhile with growing impatience. Then he said: 'Look, I don't have to get official recognition for anything I do. Ninety-eight percent of the thrill comes from knowing that the thing you designed works, and works almost the way you expected it would. If that happens, part of you is in that machine.' "

This kind of feeling about one's job is familiar to anyone who enjoys challenging work. It's not necessary to be building a new computer to devote your talent and energy to achieving some goal, and to experience the fulfillment that comes from this devotion. Moreover, as Murray points out, it's not necessary that your work involve abstract analysis or require "book knowledge." You can enjoy being a truck driver or steelworker or carpenter with the skills and know-how necessary to do your job well. What matters is that you find the work interesting and engaging, and that you have some control over and responsibility for what you do. Without these things, there's no you in your job; with these things, working for a living can involve your soul as well as your body and mind.

Of course, fulfillment on the job is by no means universal, and may even be the exception rather than the rule. There are jobs so menial or routine that almost nobody could enjoy them. There are organizations and bosses that, whether through malevolence or incompetence, can make working life miserable. There are workaholics, whose compulsive devotion to their jobs leaves the rest of their lives to atrophy. There are people stuck in the wrong line of work. And there are all too many people who don't commit enough of themselves to make their jobs enjoyable: the lazy, the incompetent, the time servers, and the buck passers.

No social system, though, can guarantee happiness for everybody. What capitalism does accomplish is to create wide and varied opportunities for rewarding and satisfying work; moreover, it does a reasonably good job of meshing external, material inducements with the conduct that generates internal, spiritual rewards. First of all, from the individual's perspective, the incentives of commercial society (material benefits and the status that comes from being successful) encourage people to take precisely those actions—working hard, taking initiative, assuming responsibility—that make work fulfilling. Moreover, commercial enterprises that address the spiritual needs of their workers—by giving them some degree of control over what they do—tend to be more productive, and hence more successful, than businesses that treat their workers like machines.

The spiritual richness of the market economy is most apparent when comparing it, not against some imagined utopia, but against other real-life social systems. Communism, the attempt to subsume all economic life within the centralized state, was not only a failure at material production; more fundamentally, it was a spiritually impoverished system. In the first place, the pervasive, leaden bureaucracy necessitated by central control stifled initiative and the assumption of responsibility, thereby robbing work of the pleasures that come from committing oneself to the job. Bureaucracy is a serious problem even in the capitalist workplace; it is ubiquitous and fatally hypertrophic under communism.

More basically, the suppression of economic incentives radically transformed the nature of work: Neither the quality of one's own work, nor the overall productiveness of one's organization, had much if any connection with one's job security or advancement. Ideology and terror were occasional substitutes for economic motivation, but the former took hold only with a small minority, and the latter was inflicted systematically only for limited periods of time. For most people and most of the time, the communist modus vivendi was "they pretend to pay us and we pretend to work." Nothing was at stake in one's working life; job success was no longer a value to be earned or lost. There was no social context within which it made sense to do a job well, or take pride in a job well done; work was drained of all its meaning and reduced to absurd, Sisyphean labor. Communism, which purported to redeem working life from alienation, consigned it instead to an alienation virtually universal and complete.

Now that communism, the self-proclaimed system of the future, has been thoroughly discredited, those who reject commercial society are increasingly turning to the precapitalist past in search of an alternative. In particular, the growing radical environmental movement derives much of its power from nostalgia for the simplicity and certainty of the traditional village economy. All of which raises the question: Capitalism has clearly brought material riches, but does it represent a spiritual improvement over rural communal life?

Admittedly, the village economy offered some spiritual advantages that are currently in rather short supply: most notably, rootedness in kin and community and organic connection to one's work. There was no conflict between pursuing one's career and living close to family and friends: People were born, lived, and died within a few miles' radius. There was none of the dehumanizing impersonality that afflicts urban life today: Within the village, everybody knew everybody else. And there were no nagging doubts about one's career choices: Most people did exactly the same thing—grow their own food—and the "meaning" of this work was as obvious as a stomach pang. While traditional society may have been afflicted with oppression, misery, and ignorance, alienation wasn't a problem.

But if life used to be less unsettling and fretful than today, it was also less interesting and spiritually challenging. God knows that life was challenging enough in the physical sense: Most people had to engage in unremitting, back-breaking toil just to keep fed, clothed, and housed. The demands on people's mental abilities, though, were modest. There were skilled artisans and craftsmen, yes, but they were a demographically marginal lot; the vast majority of the

population was absorbed in basic subsistence agriculture. This work, by and large, was a matter of exhausting physical labor, requiring minimal skills or knowledge.

To some extent peasant life did require craft and folk wisdom, but such demands were limited and essentially static. The average peasant lived just as his parents and grandparents before him; the crops he planted, the tools he used, the farming methods he followed were all part of a received tradition passed down from time immemorial. Moreover, economic life was as simple as it was unchanging. Since the elemental task of growing food consumed so much energy, the division of labor was necessarily rudimentary; only a few basic goods and services were produced for exchange. Accordingly, there was no need or place in the village economy for specialized technical knowledge, or complex analysis, or original thinking, or independent judgment, or personal initiative, or responding to swiftly changing circumstances—in short, for any of those forms of spiritual exertion that are ubiquitous in the dynamic complexity of modern capitalism.

Thus far, we have focused only on the spiritual qualities inherent in the actual process of capitalist wealth creation. Now it is time to look at the motivations that underlie this process. The caricature of market society identifies simple avarice as the low and vulgar foundation on which all rests. Is that really all there is?

Greed, no doubt, is an all too familiar presence in modern commercial life, and this is what makes the caricature seem plausible. But there is something else driving capitalist society—something much more vital and inspiring, and arguably much more potent, than mere acquisitiveness. This thing is ambition, or competitive spirit: the desire to better oneself and be better than others.

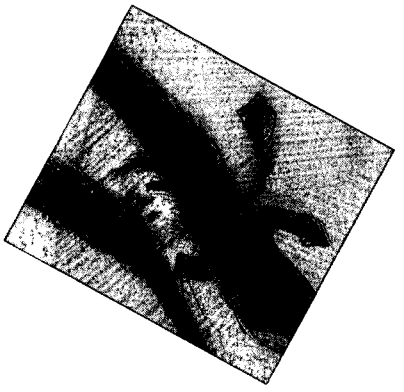
Clearly, people do work in order to acquire things: most basically, to put food on the table and to pay the rent, but also to get that CD player, or a new car, or a family vacation, or a bigger house. But just as clearly, people work in order to compete: to be a success, to measure up, to move up in the world, to make one's mark. When someone gets a coveted job or wins a big promotion, he is likely to feel competitive exhilaration at having won, as well as excitement about things he can now buy (indeed, the coveted job may entail a pay cut). Likewise, a person who is fired or laid off feels not only the threat of economic hardship but also the spiritual emptiness of failure. Sometimes, the act of acquisition itself satisfies a competitive urge. For example, buying a home or an expensive car can give you the feeling of having "arrived."

Ambition in commercial life is most obvious in the lives of corporate moguls, particularly those who started their own businesses. Such individuals put the lie to the notion that commercial life is all pettiness and crabbed, narrow calculation. Simple avarice cannot explain why billionaires continue to strive to expand their enterprises, and indeed it is commonplace for business giants to say that they aren't in it for the money, that money is simply a means of keeping score. What drives such people is ambition: the desire to build an empire, or even to remake the world.

Over 200 years ago, Adam Smith identified the role played by ambition in driving commercial life when he noted that "the rich man glorifies in his riches" while "the poor man, on the contrary, is ashamed of his poverty." According to Smith, "It is the vanity, not the ease or the pleasure, which interests us."

Commercial ambition is by no means an unalloyed virtue. It has its darker and dangerous side. Obsession with status, with what other people think of you, is unhealthy and repellent. And winning at all costs—forsaking family, friends, and outside interests for the sake of career success—is a spiritually Pyrrhic victory. Nevertheless, competitive spirit, in its proper place, is a powerful force for good in commercial society; it unleashes human energies and imparts to life a bracing and vital dynamism.

The salutary effects of ambition can be seen in the struggles of immigrants who have come to this country to make new lives for themselves; in the overtime and scrimping that allow a couple to put their children through college; in the man who builds a family business that he can pass on to another generation; in the



The average peasant lived just as his parents before him. There was no place in his life for original thinking, independent judgment, or personal initiative.

woman who goes to night school while holding down a full-time job; in the conscientiousness and dedication it takes to make the sale, land the contract, meet the deadline, or turn out the defect-free product; and in the titanic productivity of the entrepreneurial innovator. The common theme here is the pursuit of a dream, whether modest or grandiose, of bettering oneself or one's lot in life.

Again, comparison with other social systems is instructive. In traditional rural society, there was no place for ambition among the great preponderance of the population. With a more or less static economy, the large peasant class had no prospect for upward mobility. People were enmeshed in obligations that kept them securely in their proper station: ties to the land, to one's lord, to family and community. The whole idea of breaking from your past and "reinventing" yourself was utterly foreign; personal identity was based on knowing your place, not making your own way.

Competitive spirit was confined to the ranks of the nobility and found its outlet predominantly in the quest for military glory. This chivalric code enshrined ambition in its most extreme form: namely, the willingness to kill or be killed to prove one's superiority to others.

It may be argued that the aristocratic ethos represented human ambition at its most sublime: There is perhaps no act more inspirational than the willingness to risk one's life. Accordingly, it is tempting to romanticize the social system that produced this ethos and, by comparison, to scorn our own commercial order, in which people risk only money. Edmund Burke, who in his cooler moments was an admirer of Adam Smith, expressed this sentiment in his famous lines: "But the age of chivalry is gone. That of sophisters, economists, and calculators, has succeeded; and the glory of Europe is extinguished for ever."

Thomas Paine, though, in his reply to Burke, got the better of the exchange: "He pities the plumage, but forgets the dying bird." While the highs may have been higher in the ancien régime, the lows were abysmally lower, and the lows were the general rule. Chivalry may have been exquisite, but its beauty fades in the larger view when one sees the killing and waste it produced and the stagnation, passivity, and resignation on which it rested. Commercial society, by allowing general participation in a competitive and dynamic social order, offers the ambitious pursuit of self-improvement to high and low alike. The stakes may be lower, and thus the winning less glorious, but many more people get to play, and the contest now produces affluence and comfort rather than death and destruction.

In his provocative new book, *The End of History and the Last Man*, Francis Fukuyama identifies ambition, which he calls *thymos* or the desire for "recognition," as the crux of historical conflict. Influenced by Hegel, he bases his philosophy of history on a version of the state of nature, in which men battle not for simple self-preservation, but for recognition—to have their dignity as human beings recognized by others. In other words, men fight for ambition, to prove their superiority. Instead of leading to a consensual social contract, this battle leads to the relationship of lordship and bondage: The masters are those who were willing to risk death for honor, the slaves, those who succumbed to fear of death.

Fukuyama treats this battle for prestige between "first men" as both theoretical construct and quasi-historical: "Many traditional aristocratic societies initially arose out of the 'warrior ethos' of nomadic tribes who conquered more sedentary peoples through superior ruthlessness, cruelty, and bravery. After the initial conquest, the masters in subsequent generations settled down on estates and assumed an economic relationship as landlords....But the warrior ethos—the sense of innate superiority based on the willingness to risk death—remained the essential core of the culture of aristocratic societies the world over, long after years of peace and leisure allowed these same aristocrats to degenerate into pampered and effeminate courtiers."

Thus, the initial resolution of the struggle for recognition resulted in the traditional social order: the large class of peasant "slaves" underneath and the small band of aristocratic "masters" on top. This dispensation was inherently unstable, though, for it was riven with internal "contradictions": The vast majority of the population was denied recognition altogether, and the masters had won recognition only from their inferiors, whom they did not regard as fully human.

The historical solution to this dilemma emerged in the form of liberal commercial society. This new order abolished the distinction between master and slave by making the former slaves their own masters and by establishing the principles of popular sovereignty and the rule of law. The inherently unequal recognition of masters and slaves is replaced by universal and reciprocal recognition, where every citizen recognizes the dignity and humanity of every other citizen and where that dignity is recognized in turn by the state through the granting of rights.

Liberalism, through its system of rights, represents the optimal solution to the conflict over recognition: No one is recognized as superior, but everyone is recognized as equal (under the law, at least). And by opening up unlimited prospects for economic growth, liberalism tames the unruly force of ambition by exalting instead the force of desire (i.e., greed). With ambition thus sated and defanged, historical conflict comes to an end, according to Fukuyama, in the modern commercial republic: "The historical process that begins with the master's bloody battle ends in some sense with the modern bourgeois inhabitant of contemporary liberal democracies, who pursues material gain rather than glory."

Fukuyama wonders, though, whether this is such a good thing. He questions whether history's end point is Nietzsche's contemptible "last man," who seeks nothing but comfortable self-preservation and forsakes everything noble about humanity: daring, risk, inspiration, and struggle. To use George Will's turn of phrase, he questions whether liberalism has escaped from barbarism only to fall into banality. In the end, Fukuyama defends liberalism against the Nietzschean critique, arguing that modern commercial society contains sufficient outlets for ambition—namely, entrepreneurship, democratic politics, and such purely "formal" activities as athletic competition—for it to retain at least a moderate vitality.

It is certainly appropriate to worry about the banality of modern life, and Fukuyama's view of liberalism's triumph as problematic is refreshingly bracing. Nevertheless, I believe he misconstrues the role of ambition in commercial society, and accordingly takes a bit too dim a view of the capitalist ascendancy. (My doubts about whether history has in fact ended are beyond the scope of this article.)

Fukuyama properly regards commercial society as having domesticated ambition: Where ambition once sought martial glory, it now serves the pursuit of gain. But this is a crucial point: Ambition has not been replaced by desire (as Fukuyama contends); it has been married to it. As discussed above, commercial life is motivated as much by competitive spirit—the desire to win, to improve oneself, to exceed others—as it is by mundane acquisitiveness. Ambition that risks money may be less lofty than that which risks life, but it is no less real.

Accordingly, liberalism has in fact ushered in a fantastic expansion of ambition's role in social affairs: Where once it was the preserve of a tiny aristocratic minority, it is now ubiquitous. Daring, risk, inspiration, and struggle have not been extinguished; they can be found in every nook and cranny of the capitalist economy. The apparent decline of *thymos* is an illusion caused by focusing only on the fate of the old nobility.

Liberalism, far from enervating ambition, awoke and roused it in quarters where before it had never stirred. It is woefully incomplete to portray the liberal project, as Fukuyama does, as an effort "to convince the aristocratic warrior of the vanity of his ambitions, and to transform him into a peaceful businessman." The far greater part of the project was to liberate the mass of mankind from torpor and stagnation by incorporating it into the market.

This wider view of liberalism, and the greater good it serves, was movingly described by Alexis de Tocqueville in the concluding chapter of his *Democracy in America*: "When the world was full of men of great importance and extreme insignificance, very wealthy and very poor, very learned and very ignorant, I turned my attention from the latter to concentrate on the pleasure of contemplating the former. But I see that this pleasure arose from my weakness....

"It is natural to suppose that not the particular prosperity of the few, but the greater well-being of all, is most pleasing in the sight of the Creator and Preserver of men. What seems to me decay is thus in His eyes progress; what pains me is acceptable to Him. Equality may be less elevated, but it is more just, and in its justice lies its greatness and beauty."

Let's descend now from these metaphysical heights, and, in closing, consider the issue again in a more concrete way. The skeptical reader may still harbor the suspicion that all this rhetoric about creative genius and self-actualization and vaulting ambition is just whistling in the dark, that at bottom there is still the very mundane reality of fast-food restaurants, accountants, and toaster salesmen.

Fair enough, to a degree. I never wanted to argue that commerce could replace art or religion or philosophy in the quest for transcendent meaning. Commerce does concern the worldly, and thus will always have a practical and prosaic quality to it. But if you think this means that capitalism is spiritually empty, you're wrong—as any sports fan should understand.

If you are a sports fan—say, a devoted follower of college basketball—then you understand that what makes the game enjoyable and worthwhile has very little to do with its immediate object. The standard complaint of the nonfan—"Why would anyone want to watch a bunch of overgrown men running around and bouncing a ball and trying to stick it through a hoop?"—will convince you of nothing except that the speaker doesn't understand the game. If you were feeling analytical, you might explain to him that his grasp of the game is stuck in a reductionist rut, that what makes the game so fun is the amazing skill, the fluidity of teamwork, the excitement of competition. Or you might just turn up the volume on the remote control and hope he goes away.

So it is with commerce. Yes, it's about buying and selling things, just as basketball is about overgrown men and bouncing balls. But it's also about much more: It, too, is about amazing skill, the fluidity of teamwork, the excitement of competition. If you can't see this, you just don't understand the game.

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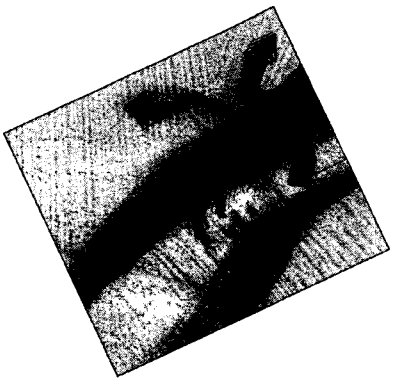

Daring, risk, inspiration, and struggle have not been extinguished. They can be found in every nook and cranny of the capitalist economy.

The Road from Serfdom

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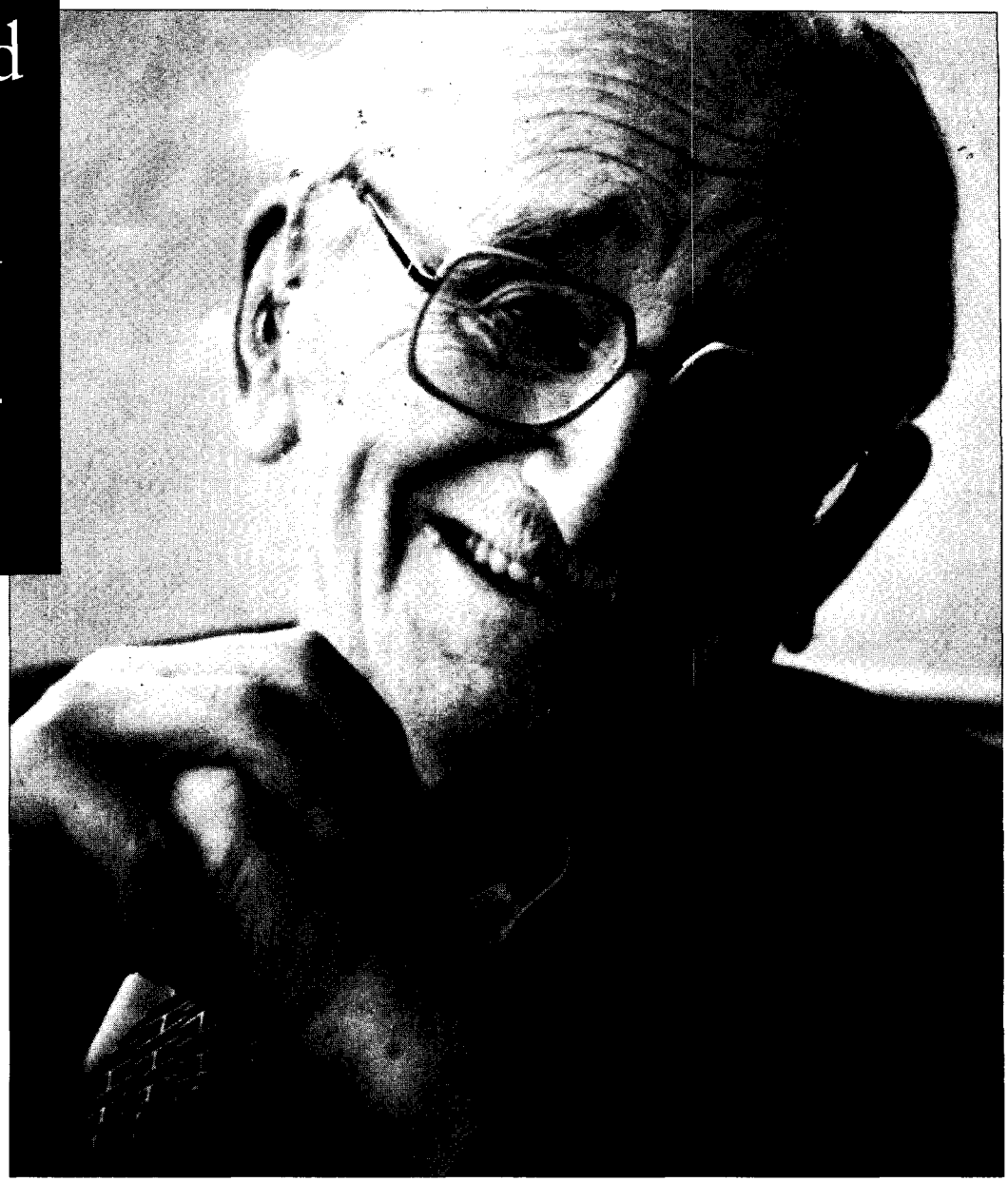
FORESEEING THE FALL

F. A. HAYEK

INTERVIEWED BY THOMAS W. HAZLETT



F. A. Hayek must have sensed something in the wind at about the time I interviewed him in Los Angeles in May 1977. In the 1930s and '40s, Hayek had been the second most famous economist on the planet, best known as John Maynard Keynes's intellectual sparring partner. On the fundamental questions of economic policy, the debate pitting Professor Hayek of the London School of Economics against Professor Keynes of Cambridge University sparked a memorable confrontation between classical economics and the new-fangled "macroeconomics" of Lord Keynes's 1936 General Theory.

The Keynesians swept academic arguments in a virtual shut-out. With Keynes's death in 1945, in fact, Hayek (and the classical trade cycle theory) quickly faded from public view. Economic policy entered a golden age of "demand management" in which the business cycle was rendered obsolete, and Hayek moved out of economic theory altogether. In 1950 he went to the University of Chicago, where he chaired the Committee on Social Thought, finishing his career at the University of Freiberg (1962-68) and the University of Salzburg (1968-77). He embarked upon major contributions in such new fields as psychology (*The Sensory Order*, 1952), political theory (*The Constitution of Liberty*, 1960), and law (*Law, Legislation & Liberty*, Volumes I-III, 1973-79).

He was wise to steer clear of economics. For his quibble with Keynes was not the only humiliation he had suffered in rarified theoretical discourse. The famous Socialist Calculation Controversy was prompted by the Austrian critique of central planning. From the 1920s until the '40s, Hayek and his countryman Ludwig von Mises argued that socialism was bound to fail as an economic system because only free markets—powered by individuals wheeling and dealing in their own interest—could generate the information necessary to intelligently coordinate social behavior. In other words, freedom is a necessary input into a prosperous economy. But even as Hayek's elegant essay extolling market prices as the signals of a rational economy was hailed as a seminal contribution upon its publication in the *American Economic Review* in 1945, shrewd socialist theorists proved to the satisfaction of their peers that central planning could be streamlined so as to solve, with really big computers, the very information problem that F. A. Hayek had so courteously exposed.

Losing a scholarly debate or two is not the worst that can befall a human being of talent, and Hayek was not destroyed. He went on to publish brilliant work in subsequent years. But within the economics profession it is no secret that Hayek was an academic outcast, a throwback, a marginal character whose ideas had been neatly disproven to all reasonable men in the scientific journals of his day.

But then something bizarre happened. The late 20th century decided to provide a reality check on the academic scribblers. The 1960s and '70s saw post-war prosperity ignite into an inflationary spiral in the very countries that had embraced Keynesianism (mainly the United States and the U.K.). Shocking to the peer-review process, which had rigorously proven otherwise on many occasions, full employment could not be maintained via off-the-shelf Keynesian bromides. The traditional therapy–stimulate consumption and penalize savings with a healthy infusion of government deficit spending–was now being refereed by the real world, and the results were found "nonrobust." The macro models of Cambridge, Harvard, Berkeley, and MIT fell apart, and by the 1980s the very solutions that Keynes had hustled were being painfully thwacked as precisely the root of our troubles. Suddenly the old classical medicine–savings, investment, balanced budgets, competition, and productivity growth–were popularly claimed to be the economic-policy goal of good government. Even the politicians, so bubbly to receive Keynes's prescription for government spending as the magical elixir with which to treat an ailing economy, had publicly abandoned Keynesianism.

And the possibility of rational economic planning under socialism? Yes, we ran that experiment as well. The Third World tried it and promptly dropped to income levels last recorded in the Pleistocene Epoch. The Second (Communist) World tried it in massive police-state doses and...well...dissolved.

The trends away from Keynesianism in the West and from socialism everywhere else were just beginning to assert themselves when Hayek–out of the economics profession for, essentially, 30 years–was surprisingly awarded a Nobel Prize in Economics in 1974. Quickly, he was transformed from goofball to guru. And not without justification. By the late 1970s–with the Labor, Democratic, and Social Democratic parties (oh come on, you remember them: Think, now think!) still in power in London, Washington, and Bonn–Hayek's vision had already spotted global political movements on the horizon. The glacial worldwide policy shifts of the 1980s were cautiously anticipated by Hayek in this (never before published) interview. He seemed to sense that soon it would not be a sign of disrespect to be dubbed the greatest philosopher of capitalism since Adam Smith.

Sometimes you have to live a long time just to be proved right. When Friedrich August von Hayek, born in 1899, died March 23 in Freiberg, Germany, he had outlived both Keynes and Marx. Happily for the human race, so have his ideas.

[Contributing Editor Thomas W. Hazlett interviewed Hayek in 1977, shortly before starting graduate school in economics at the University of California, Los Angeles.]

Reason: Of your bestselling *The Road to Serfdom*, John Maynard Keynes wrote: "In my opinion it is a grand book....Morally and philosophically I find myself in agreement with virtually the whole of it: and not only in agreement with it, but in deeply moved agreement." Why would Keynes say this about a volume that was deeply critical of the Keynesian viewpoint?

Hayek: Because he believed that he was fundamentally still a classical English liberal and wasn't quite aware of how far he had moved away from it. His basic ideas were still those of individual freedom. He did not think systematically enough to see the conflicts. He was, in a sense, corrupted by political necessity. His famous phrase about, "in the long run we're all dead," is a very good illustration of being constrained by what is now politically possible. He stopped thinking about what, in the long run, is desirable. For that reason, I think it will turn out that he will not be a maker of long-run opinion, and his ideas were of a fashion which, fortunately, is now passing away.

Reason: Did Keynes turn around in his later years, as has frequently been rumored?

Hayek: Nothing as drastic as that. He was fluctuating all the time. He was in a sort of middle line and he was always concerned with expediency for the moment. In the last conversation I had with him (about three weeks before his death in 1945), I asked him if he wasn't getting alarmed about what some of his pupils were doing with his ideas. And he said, "Oh, they're just fools. These ideas were frightfully important in the 1930s, but if these ideas ever become dangerous, you can trust me—I'm going to turn public opinion around like this." And he would have done it! I'm sure that in the post-war period Keynes would have become one of the great fighters against inflation.

Reason: Was the Keynes thesis that government spending is needed to bolster aggregate demand in times of unemployment correct at one time?

Hayek: No. Certainly not. But, of course, I go much further than this. I believe that if it were not for government interference with the monetary system, we would have no industrial fluctuations and no periods of depression.

Reason: So trade cycles are caused solely by government monetary authorities?

Hayek: Not that directly. As you put it, it would seem that it results from deliberate mistakes made by government policies. The mistake is the creation of a semi-monopoly where the basic money is controlled by government. Since all the banks issue secondary money, which is redeemable in the basic money, you have a system which nobody can really control. So it's really the monopoly of government over the issue of money which is ultimately responsible. Nobody in charge of such a monopoly could act reasonably.

Reason: You have written that the period from about 1950 to 1975 will go down in history as the Great Prosperity. If the Keynes thesis is incorrect, why the tremendous economic success? Why, for instance, haven't we experienced a hyperin-

flation on the order of Germany in 1922?

Hayek: Because the inflation in Germany was not for the purpose of maintaining prosperity but was forced upon them due to financial difficulties. If you inflate for the purpose of maintaining prosperity you can do so at a much more moderate rate.

The prosperity did last longer than I anticipated. I always expected its breakdown, but I thought it would come much sooner. I was thinking in terms of the collapse of the inflationary booms during past trade cycles. But those collapses were due to the gold standard, which put a brake on those expansions after a few years. We never had a time where a policy of deliberate expansion was unlimited by any framework of monetary order. We've come to an end only when it has been seen we cannot accelerate inflation so fast that we can still maintain prosperity.

Reason: The United States has cut inflation from 12 percent to 4.8 percent, Britain from 30 percent to 13 percent—both without Depression-type setbacks. Doesn't this offer hope that economic adjustments can be made without massive unemployment?

Hayek: I don't know why you suggest this. It has been accomplished, very much, through extensive unemployment. I think it is certainly true that ending an inflation need not lead to that long-lasting period of unemployment like the 1930s, because then the monetary policy was not only wrong during the boom but equally wrong during the Depression. First, they prolonged the boom and caused a worse depression, and then they allowed a deflation to go on and *prolonged* the Depression. After a period of inflation like the past 25 years, we can't get out of it without substantial unemployment.

Reason: How does inflation cause unemployment?

Hayek: By drawing people into jobs which exist only because the relative demand for the particular things is temporarily increased, and these employments must disappear as soon as the increase in the quantity of money ceases.

Reason: Yet, if the United States, for example, went through a period of temporarily high unemployment—say we have double the current rate of unemployment for one to two years—wouldn't all the automatic income-maintenance programs, such as unemployment insurance, welfare, etc., run up such an enormous bill as to bankrupt the federal government, which already runs a deficit of $50 billion or $60 billion in a so-called recovery period?

Hayek: Yes, they probably would. There would be an enormous political struggle on the question of whether social-security benefits ought to be adapted to inflation or cut down. I don't think that you can effect a permanent cure without a substantial alteration of the social-security system.

Reason: Will the horror of financing this colossal welfare bureaucracy prove the stimulus to "shock" us into a more rational government framework?

Hayek: No. My only hope really is that some minor country or countries which for different reasons will have to construct

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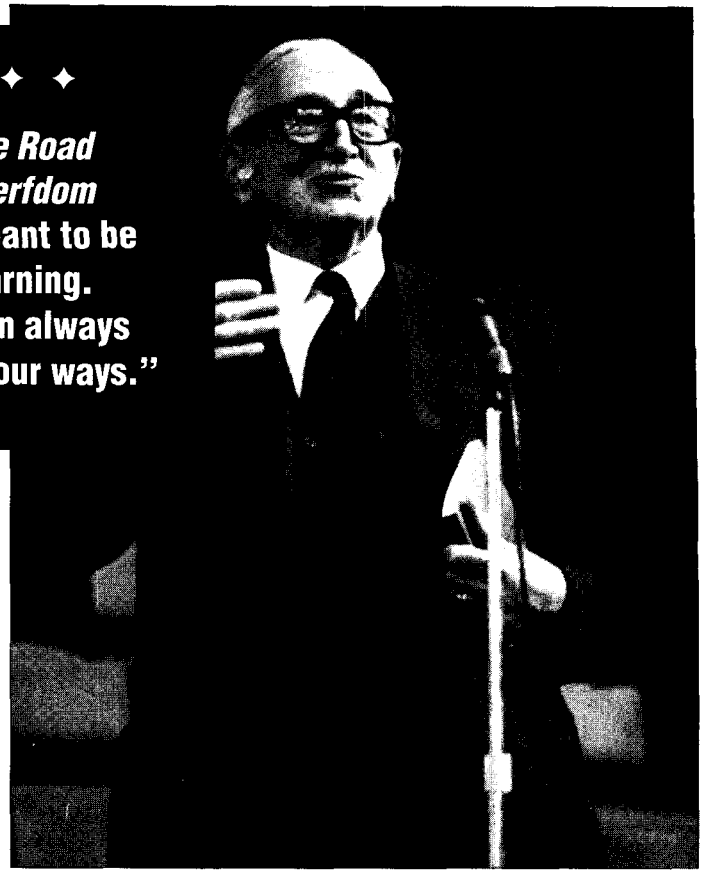
"*The Road to Serfdom* was meant to be a warning. You can always mend your ways."



a new constitution will do so along sensible lines and will be so successful that the others find it in their interest to imitate it. I do not think that countries that are rather proud of their constitutions will ever really need to experiment with changes in it. The reform may come from, say, Spain, which has to choose a new constitution. It might be prepared to adopt a sensible one. I don't think it's really likely in Spain, but it's an example. And they may prove so successful that after all it is seen that there are better ways of organizing government than we have.

Reason: To avoid inflation, your prescription has been to advocate that monetary policy be pursued with the goal of maintaining stability in the value of money. Is it necessary to trust the politicians to regulate the money supply? Can't market forces adjust to correct for a gradual deflation?

Hayek: Yes, they do occasionally. The trouble is, in the mechanical system what forces politicians is the gold standard. The gold standard, even if it were nominally adopted now, would never work because people are not willing to play by the rules of the game. The rules of the game that the gold standard requires [say] that if you have an unfavorable balance of trade, you contract your currency. That's what no government can do—they'd rather go off the gold standard. In fact, I'm convinced that if we restored the gold standard now, within six months the first country would be off it and, within three years, it would completely disappear.

The gold standard was based on what was essentially an irrational superstition. As long as people believed there was no salvation but the gold standard, the thing could work. That illusion or superstition has been lost. We now can never successfully run a gold standard. I wish we could. It's largely

as a result of this that I have been thinking of alternatives.

Reason: You have, at various times, championed a commodity-reserve monetary system and competition in the money supply. Are these practical alternatives to a government controlled central banking system?

Hayek: Yes. I have been convinced that while the idea of the commodity-reserve system is a good one, practically it is unmanageable. The idea of accumulating actual stocks of commodities as reserves is so complex and impractical that it just cannot be done.

Then I came to the conclusion that the necessity of actual redemption of the real commodities is only necessary if you have to place a discipline on an authority which otherwise has no interest in keeping its currency stable. If you place the issue of money in the hands of firms whose business depends upon their success in keeping the money they issue stable, the situation changes completely. In that case, there is no necessity of depending upon their obligation to redeem in commodities; it depends on the fact that they must so regulate the supply of their money that the public will accept the money for its stability. This is better than anything else.

Reason: The Keynesian economic formula seeks out a nearly perfect symbiotic relationship with the political forces of the modern welfare state. At what point can this marriage be broken? How can the Keynesians be politically defeated?

Hayek: I really should begin with Keynes himself. Keynes despaired in the 1920s of the possibility of again making wages flexible. He came to the conclusion that we must accept wages as they are and adjust monetary policy to the existing wage structure. That, of course, forced him to say, "I don't want any restriction on monetary policy because I have to adjust monetary policy to a given situation."

But he overlooked that, at that very moment, the trade unions knew that the government was under an obligation to correct the effect of the trade-union policy, and so we get a hopeless spiral. The unions push up wages, and government has to provide enough money to keep employment at these wages, and this leads into the inflationary spiral. This came out of the practical considerations of Keynes in the short run—that we can't do anything about the rigidity of wages.

In fact, the British in the 1920s were very near success. The very painful, and silly, process of deflation was very nearly successful at the end of the '20s. Then they got frightened by the long period of unemployment. I think if they had lasted a year or two longer they probably would have succeeded.

Reason: Gunnar Myrdal, your co-winner for the Nobel Prize in 1974, recently published an article advocating the abolition of the Nobel Prize for economics, apparently as a reaction to the awarding of the prize to Milton Friedman and yourself. His most remarkable statement is his reference to you regarding your "lack of concern." Specifically, that you have "certainly never been much troubled by epistemological worries."

Not only does the statement summon shock on the basis of your numerous writings on the very question of epistemology (in economics as well as in other fields), but your Nobel speech, delivered into Myrdal's own ears, centered on the subject of the methodology of economics. Is Myrdal's misstatement prompted by ignorance or malice? And is this a fair sampling of the general academic environment throughout Europe?

Hayek: No, it is certainly a rather extreme case combined with an intellectual arrogance that, even among economists, is rare. Myrdal has been in opposition on these issues even before Keynes came out. His book on monetary doctrines and values and so on dates from the late 1920s. He has his own peculiar view on this subject which I think is wrong. His book couldn't even be reproduced now. I don't think he has ever been a good economist.

Reason: So Myrdal is not typical? The intellectual and academic environment is, on the whole, much more hospitable to your ideas?

Hayek: Oh, much more than Myrdal, yes. And, of course, the younger generation is coming around to my sort of view. In a sense, I would say that the great problem is still a methodological one but not the one Myrdal has in mind. I believe that economics and the sciences of complex phenomena in general, which include biology, psychology, and so on, cannot be modeled after the sciences that deal with essentially simple phenomena like physics.

Don't be shocked when I call physics essentially simple phenomena. What I mean is that the theories which you need to explain physics need to contain very few variables. You can easily verify this if you look into the formula appendix to any textbook on physics, where you will find that none of the formulas which state the general laws of physics contain more than two or three variables.

You can't explain anything of social life with a theory which refers to only two or three variables. The result is that we can never achieve theories which we can use for effective prediction of particular phenomena, because you would have to insert into the blanks of the formula so many particular data that you never know them all. In that sense, our possibility both of explaining and predicting social phenomena is very much more limited than it is in physics.

Now, this dissatisfies the more-ambitious young men. They want to achieve a science which both gives the same exactness of prediction and the same power of control as you achieve in the physical sciences. Even if they know they won't do it, they say, "We must try. We ultimately will discover it." When we embark on this process, we want to achieve a command of social events which is analogous to our command of physical affairs. If they really created a society which was guided by the collective will of the group, that would just stop the process of intellectual progress. Because it would stop this utilization of widely dispersed opinion upon which our society rests and which can only exist in this very complex process which you cannot intellectually master.

Reason: In 1947 you founded the Mont Pelerin Society, an international group of free-market scholars. Has its progress pleased you?

Hayek: Oh yes. I mean its main purpose has been wholly achieved. I became very much aware that each of us was

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"There is perhaps more social discontent in Sweden than in almost any other country I have been."

discovering the functioning of real freedom only in a very small field and accepting the conventional doctrines almost everywhere else. So I brought people together from different interests. Any time one of us said, "Oh yes—but in the field of cartels you need government regulation," someone else would say, "Oh no! I've studied that." That was how we developed a consistent doctrine and some international circles of communication.

Reason: *U.S. News & World Report* did a special cover story last year in which they interviewed eight leading social scientists from around the world, including yourself, on the question: "Is Democracy Dying?" What I found most interesting was that several of the other thinkers seemed to be reciting passages out of *The Road to Serfdom* in identifying the current crisis as a result of the involvement of the welfare state in vast areas of our formerly private lives. Do you see this thesis gaining academic adherents? Are more intellectuals beginning to understand the fundamental conflict between liberty and bureaucracy, so to speak?

Hayek: No doubt, yes. That the ideas are spreading, there is no doubt. What I cannot judge is what part of the intelligentsia has yet been reached. Compared with what the situation was 25 years ago, instead of a single person in a few centers of the world, there are now dozens wherever I go. But that is still a very small fraction of the people who make opinion, and sometimes I have very depressing experiences. I was quite depressed two weeks ago when I spent an afternoon at Brentano's Bookshop in New York and was looking at the kind of books most people read. That seems to be hopeless; once you see that you lose all hope.

Reason: You currently carry the torch for the Austrian school of economics, representing a great tradition from Carl Menger to Bohm-Bawerk to Ludwig von Mises to yourself. What is the most important way in which the Austrians differ with Milton Friedman and the Chicago School?

Hayek: The Chicago School thinks essentially in "macroeconomic" terms. They try to analyze in terms of aggregates and averages, total quantity of money, total price level, total employment—all these statistical magnitudes which, I think, is a very useful approach and even quite impressive.

Take Friedman's "quantity theory." I wrote 40 years ago that I have strong objections against the quantity theory because it is a very crude approach that leaves out a great many things, but I pray to God that the general public will never cease to believe in it. Because it is a simple formula which it understands. I regret that a man of the sophistication of Milton Friedman does not use it as a first approach but believes it is the whole thing. So it is really on methodological issues, ultimately, that we differ.

Friedman is an arch-positivist who believes nothing must enter scientific argument except what is empirically proven. My argument is that we know so much detail about economics, our task is to put our knowledge in order. We hardly need any new information. Our great difficulty is digesting what we already know. We don't get much wiser by statistic information except in gaining information about the specific situation at the moment. But theoretically I don't think statistical studies get us anywhere.

Reason: You have written that the main reason that the Keynesian explanation of unemployment was accepted over the classical explanation was that the former could be statistically tested while the latter could not.

Hayek: From that point of view, Milton's monetarism and Keynesianism have more in common with each other than I have with either.

Reason: You met Alexandr Solzhenitsyn at the Nobel ceremonies in Stockholm. How did you find him?

Hayek: I was strongly confirmed in my very high opinion of the man. He is a very impressive figure in addition to his works. But I had no chance to argue with him because he had just come out of Russia and his capacity for communicating orally was very limited.

Reason: What validity is there in his thesis concerning the collapse of the West?

Hayek: I think he is unduly impressed by certain superficial

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features of Western politics. If he believes, as he does believe, that what our politicians do is a necessary consequence of opinions generally held in the West, he really must come to that conclusion. Fortunately, I think, what the politicians do is not an expression of the profound belief of the more intelligent people in the West, and I hope Solzhenitsyn will soon discover that there are people who can see further than seems to be shown by the policies of the West.

Reason: Your teacher, Ludwig von Mises, wrote *Socialism* in 1920. It became the opening round in a controversy that is still brewing over whether a socialist economy was even logically possible. Socialist economists, particularly in Eastern Europe, have thanked Mises for his thoughtful criticisms and have generally engaged in a thought-provoking discourse with Mises, Lord Robbins, and yourself for the past half-century. What is the present state of the debate?

Hayek: I've always doubted that the socialists had a leg to stand on intellectually. They have improved their argument somehow, but once you begin to understand that prices are an instrument of communication and guidance which embody more information than we directly have, the whole idea that you can bring about the same order based on the division of labor by simple direction falls to the ground. Similarly, the idea [that] you can arrange for distributions of incomes which correspond to some conception of merit or need. If you need prices, including the prices of labor, to direct people to go where they are needed, you cannot have another distribution except the one from the market principle. I think that intellectually there is just nothing left of socialism.

Reason: Could socialist economies exist without the technology, innovations, and price information they can borrow from Western capitalism and domestic black markets?

Hayek: I think they could exist as some sort of medieval system. They could exist in that form with a great deal of starvation removing excess population. It's all a question of why should an economy not continue to exist. But whatever economic advance Russia has achieved was, of course, achieved by using the technology developed by the West. I know that the Russians would be the last ones to deny it.

Reason: A very interesting part of your social philosophy is that *value* and *merit* are and ought to be two distinct qualities. In other words, individuals should not be remunerated in accordance with any concept of justice, whether it be the Puritan ethic or egalitarianism. Do you find many free-market advocates falling into this thinking, that value and merit should be equated in a "truly moral society"?

Hayek: I think there is a little shift recently as a result of my outright attack on the concept of social justice. It is now turning on the problem of whether social justice has any meaning at all and, of course, social justice is essentially based on some concept of merit. I'm afraid I have shocked my closest friends by denying that the concept of social justice has any meaning whatever. But I haven't been persuaded that I was wrong.

Reason: Well, then, why isn't there any such thing as social justice?

Hayek: Because justice refers to rules of individual conduct. And no rules of the conduct of individuals can have the effect that the good things of life are distributed in a particular manner. No state of affairs as such is just or unjust; it is only when we assume that somebody is responsible for having brought it about.

Now, we do complain that God has been unjust when one family has suffered many deaths and another family has all of its children grow up safely. But we know we can't take that seriously. We don't mean that anybody has been unjust.

In the same sense, a spontaneously working market, where prices act as guides to action, cannot take account of what people in any sense need or deserve, because it creates a distribution which nobody has designed, and something which has not been designed, a mere state of affairs as such, cannot be just or unjust. And the idea that things *ought* to be designed in a "just" manner means, in effect, that we must abandon the market and turn to a planned economy in which somebody decides how much each ought to have, and that means, of course, that we can only have it at the price of the complete abolition of personal liberty.

Reason: Is Britain irrevocably on the road to serfdom?

Hayek: No, not irrevocably. That's one of the misunderstandings. *The Road to Serfdom* was meant to be a warning: "Unless you mend your ways, you'll go to the devil." And you can always mend your ways.

Reason: What policy measures are currently possible to reverse the trend in Britain?

Hayek: So long as you give one body of organized interests, namely the trade unions, specific powers to use force to get a larger share of the market, then the market will not function. And this is supported by the public because of the historic belief that in past the trade unions have done so much to raise the standard of living of the poor that you must be kind to them. So long as this view is prevalent, I don't believe there is any hope. But you can induce change. We must now put our hope in a change of attitude.

I'm afraid many of my British friends still believe, as Keynes believed, that the existing moral convictions of the English would protect them against such a fate. This is nonsense. The character of a people is as much made by the institutions as the institutions are made by the character of the people. The present British institutions contribute everything to change the British character. You cannot rely on an inherent "British character" saving the British people from their fate. But you must create institutions in which the old kinds of attitudes will be revived which are rapidly disappearing under the present system.

Reason: So there is really nothing the government can do prior to a change in public opinion?

Hayek: You can distinguish between positive and negative moves. The government should certainly cease doing a great many things it does now. In that sense it depends upon the government ceasing to do things, and then that would open the possibility for other developments which you cannot guide and direct. Take the general complaint about British entrepreneurs being inefficient, lazy, and so on. All of this is a result of

institutions. You would soon drive out the inefficient entrepreneur if there was more competition. And you would soon find that they would work hard if it was in their interest to do so. It is the set of institutions which now prevails which creates the new attitudes which are so inimitable to prosperity.

Reason: If big government is really the culprit, why do Sweden and many Scandinavian welfare states seem to be prospering?

Hayek: Well, we mustn't generalize. Sweden and Switzerland are the two countries which have escaped the damages of two wars and have become repositories of a large part of the capital of Europe. In Switzerland, there is still some traditional instinct against government interference. Switzerland is a marvelous example where, when the politicians become too progressive, the people hold a referendum and promptly say, "No!"

Reason: Yet Sweden is reasonably successful...

Hayek: Yes. But there is perhaps more social discontent in Sweden than in almost any other country I have been. The standard feeling that life is really not worth living is very strong in Sweden. Although they can hardly conceive of things being different than what they're used to, I think the doubt about their past doctrines is quite strong.

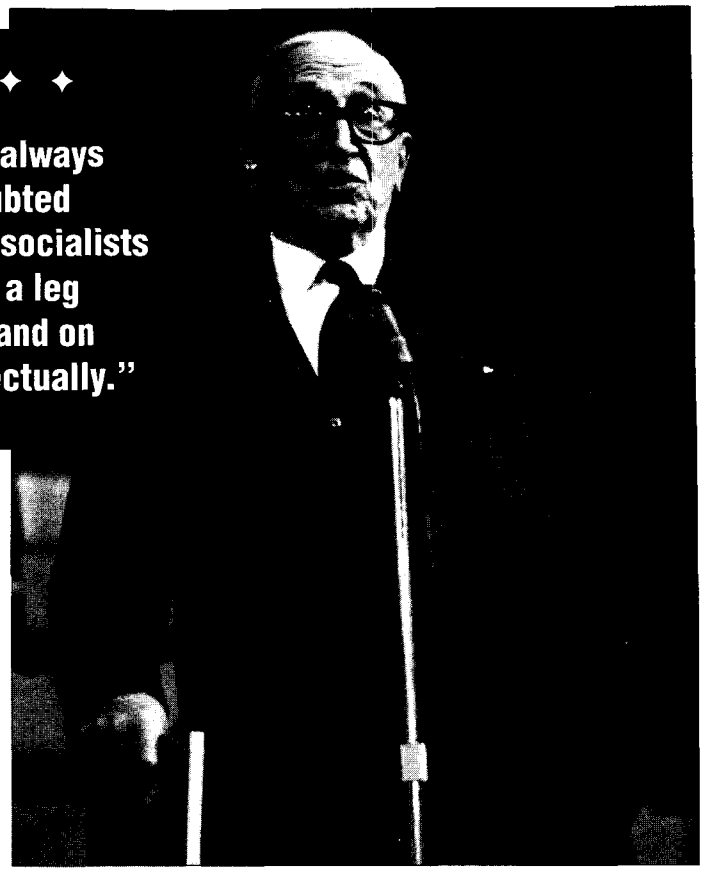
Reason: From 1948 until about a decade ago, West Germany pursued pointedly free-market policies and experienced an economic recovery so vital as to be judged a "German Miracle." Yet, the Social Democrats are firmly in power today, and some American analysts have suggested that this indicates a basic flaw in the philosophy or strategy of the so-called Freiburg School, the group of free-market economists that led the "German Miracle." What mistakes did they make and what can we learn from their example?

Hayek: First, the idea that the Germans are now governed by a socialist government is just wrong. The present German chancellor admits—perhaps not publicly, but in conversation—that he is not a socialist. Secondly, until recently, the German trade unions were led by people who really knew what a major inflation is. And, until recently, all you needed to tell German trade unionists when they made excessive wage claims is that "this will lead to inflation," and they would collapse.

The German prosperity is due, to a very high degree, to the reasonableness of the German trade-union leaders which, in turn, was due to their experience with inflation.

Reason: A fellow Austrian great, the late Joseph Schumpeter, wrote *Capitalism, Socialism and Democracy* in 1942. In that book, Schumpeter predicted the collapse of capitalism due, not to its weakness (as Marx had predicted), but due to its strengths. Specifically, the tremendous economic abundance that would flower from the capitalist seed would produce an age of bureaucrats and administrators, displacing the innovators and entrepreneurs that had made it all possible. This, in turn, would undermine the social fabric upon which capitalism rested: a widespread acceptance and respect of private property. How does Schumpeter's thesis concerning the inherent political instability of capitalism fit in with your own theories on our road to serfdom?

"I've always doubted that the socialists had a leg to stand on intellectually."



Hayek: Well, there is some similarity in the nature of the prediction. But Schumpeter was really enjoying a paradox. He wanted to shock people by saying that capitalism was certainly much better but it will not be allowed to last, while socialism is very bad but it is bound to come. That was the sort of paradox he just loved.

Underlying this is the idea that certain trends of opinion—which he correctly observed—were irreversible. Although he claimed the opposite, he had, in the last resort, really no belief in the power of argument. He took it for granted that the state of affairs *forces* people to think in a particular manner.

This is fundamentally false. There is no simple understanding of what makes it necessary for people under certain conditions to believe certain things. The evolution of ideas has its own laws and depends very largely on developments which we cannot predict. I mean, I'm trying to move opinion in a certain direction, but I wouldn't dare to predict what direction it will really move. I'm hoping that I can just divert it moderately. But Schumpeter's attitude was one of complete despair and disillusionment over the power of reason.

Reason: Are you optimistic about the future of freedom?

Hayek: Yes. A qualified optimism. I think there is an intellectual reversion on the way, and there is a good chance it may come in time before the movement in the opposite direction becomes irreversible. I am more optimistic than I was 20 years ago, when nearly all the leaders of opinion wanted to move in the socialist direction. This has particularly changed in the younger generation. So, if the change comes in time, there still is hope.

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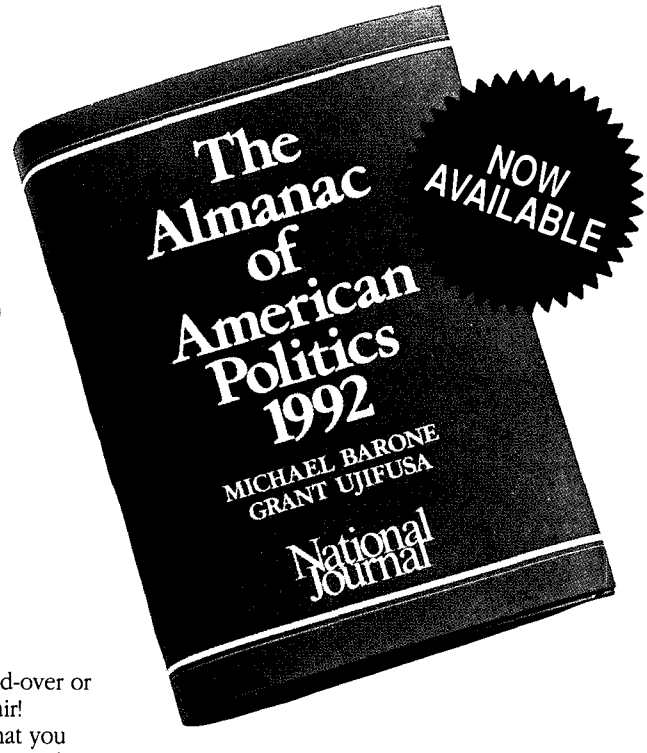

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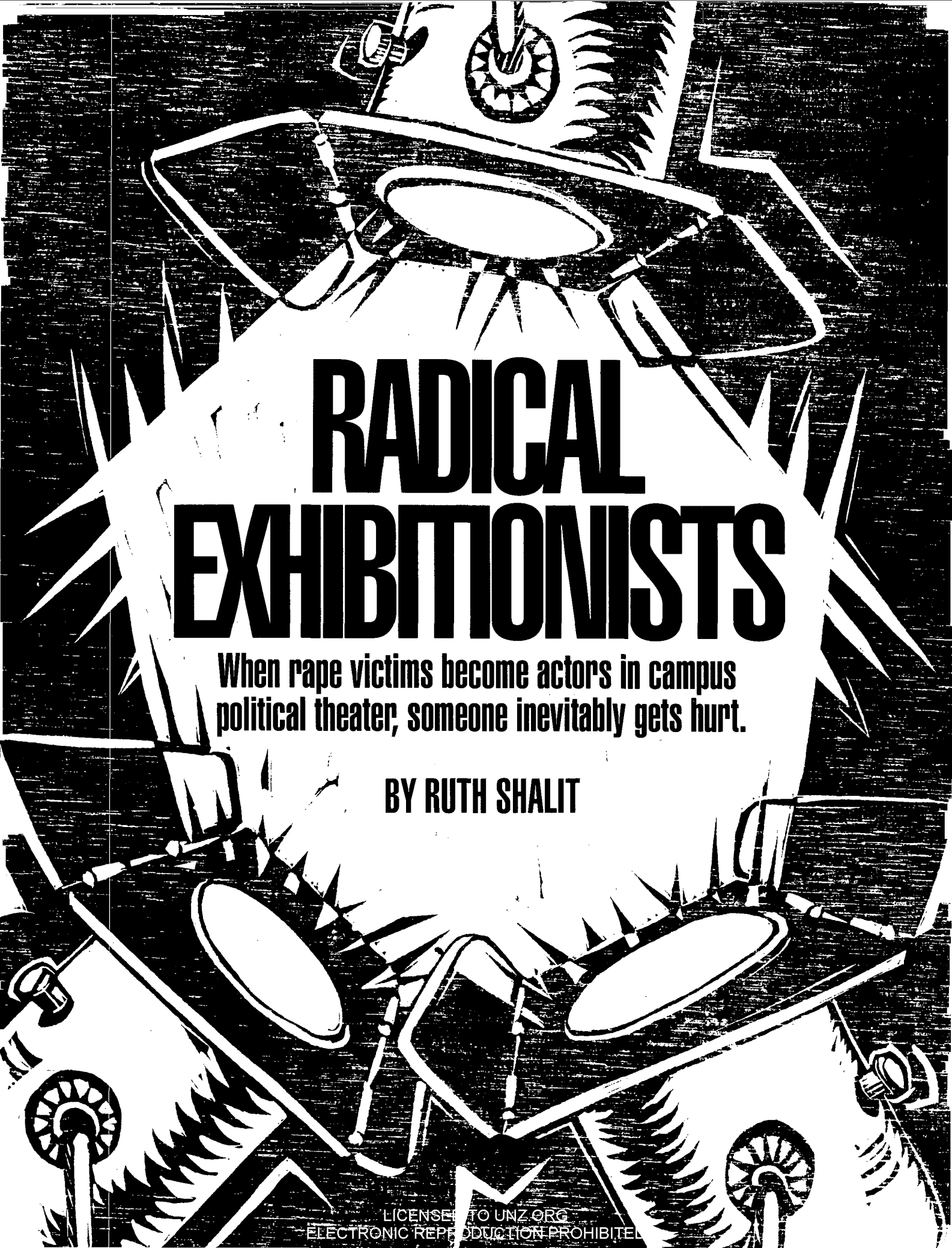

RADICAL EXHIBITIONISTS

When rape victims become actors in campus political theater, someone inevitably gets hurt.

BY RUTH SHALIT

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Given the widespread perception that apathy is the prevailing political sentiment among the nation's college students, you might not expect an outdoor protest on a cold, rainy Saturday night to attract much of a campus crowd. Yet last year's Take Back the Night march at Princeton University, a school with about 6,000 students, brought out more than 600 men and women who "braved freezing winds and heavy rains to participate," according to *The Daily Princetonian*. On other campuses, Take Back the Night marches attract comparable crowds.

Organized by students who say they want to raise awareness about rape and sexual harassment, Take Back the Night in some ways resembles the stereotypical campus protest: Participants chant, wave signs, present a list of angry "demands" to the administration. But the personal testimony from rape victims featured at the march gives the event a voyeuristic appeal that distinguishes it from old-fashioned student activism. A sort of postmodern variation on the *True Confessions* theme, the "survivor story" represents a new genre of campus radicalism.

Here is how a survivor story is told. After reaching a designated location, the marchers stop chanting and come to an abrupt halt. Necks are craned as six or seven women push their way to the front of the crowd. These are the rape victims, or "survivors." One by one, they walk toward center stage, grab the microphone, clear their throats, and begin: "My name is ___, and I'm here to take back the night." Some women hastily recount their nightmares and retreat into the darkness. Others linger in the spotlight, interspersing their narratives with vague denunciations of the university administration, of male cultural hegemony, of Western society in general. The more ardently political the testimony, the more affirming the response of the crowd tends to be.

Last year, the *Princetonian* reported, many stories generated "alternating applause and soft crying from candle-holding listeners." One survivor was able to pitch the audience from applause to soft crying and back again with particular confidence and skill. Sexually victimized by her high-school boyfriend at age 16, this woman, a senior, had been speaking at Take Back the Night—"tell[ing] my deepest, darkest secret to hundreds of strangers," as she described the experience—since her arrival on campus. Delivering what was to be her final performance, she once again recounted the details of what had happened to her in high school. She then added an update.

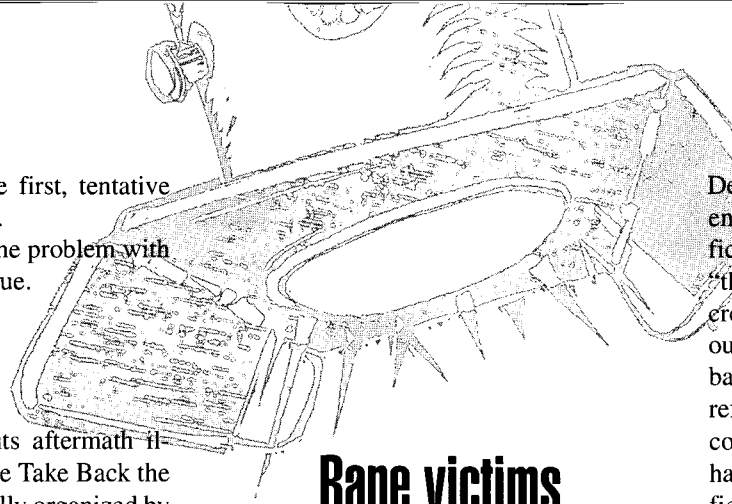
"At a fancy Ivy League school like Princeton," she began, "I was sure...that my nightmare of sexual violence could finally be put behind me." She had been wrong, she said. Several years before, a "very drunk" undergraduate had ogled her at a party in a way that made her feel "particularly uncomfortable." Despite numerous attempts to escape him, the student pursued this woman and her friends from club to club.

After she left her friends at a party to walk home alone, he pounced on her, dragged her back to his room, locked the door, and "while he shouted the most degrading obscenities imaginable," raped her. When he was finished, he grabbed her by the shoulders and smashed her head repeatedly against the metal bed frame until she lost consciousness. "The next thing I knew," she related, "I was slung over his shoulder, being carried back to my dorm, where he dropped me at the bottom of my entryway."

In the context of a rally whose explicit aim is to "show the way sexual violence is linked to different kinds of oppression," this woman's story seemed to offer a sort of unified-field theory. In a spectacle of sexual degradation of nearly Sadean dimensions, she was simultaneously raped and sexually harassed—forced to listen to a stream of "the most degrading obscenities imaginable" even as she was cruelly assaulted. Her story featured raging class conflict: The attacker called her "public-school bitch" and, while raping her, growled, "My father buys me cheap girls like you to use up and throw away." It revealed shocking campus indifference toward rape victims: "Although I screamed the entire time, no one even looked out of their window to see if I was in danger."

It confirmed students' suspicions of male administrators' insensitivity: "The Dean of Students Office told me 'not to press the issue' and to 'let bygones be bygones.' " It showed the university's reluctance to punish rapists: "My rapist was given a year's suspension but is back on campus now and will graduate with my class." Finally, it reminded students who their real friends were: Thanks to the enlightened folk at Princeton's understaffed, overworked rape counseling center, the woman

KERI ROSEBRAUGH



was able to take the first, tentative steps toward healing.

There was only one problem with the story: It wasn't true.

The story and its aftermath illustrate how the Take Back the Night march, originally organized by rape victims as a protest against sex crimes, has been hijacked by left-wing activists seeking to further their own political agenda. Although the rape victims are still the event's main attraction, the issue of women's safety, once the focus of the march, has been pushed to the periphery. To the march's new crop of leaders, the survivor story is important not as a description of an actual crime but as a metaphor for all that is wrong with Western civilization. As the Princeton community eventually discovered, a survivor story need not be true to be valid.

On April 23, three days after the march, the dramatic survivor story resurfaced as an op-ed column in the *Princetonian*. "I want to appeal to a wider audience than the march produces," the woman wrote. Claiming that media coverage of the march could not possibly do it justice, that it was "impossible to accurately convey the poignancy of the victims' stories in a factual news report," she had decided to further "publicize [her] victimization," as she curiously put it, by submitting her story to the campus paper. "If you don't know how to react next time you see me," the woman advised at the end of the article, "give me a hug and tell me I'm very brave. Because I, like the other campus rape victims who speak at Take Back the Night, am very brave and need your support." Students quickly assured her that she had it, writing letters to the paper praising her courage and angrily condemning her unnamed assailant.

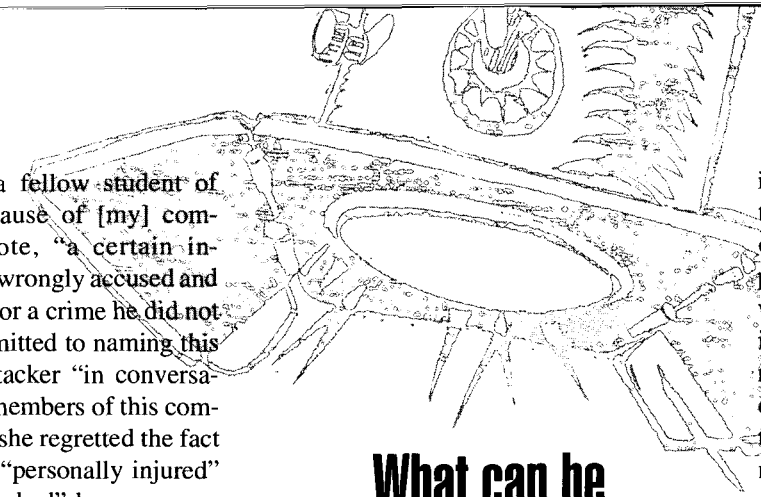
Soon, however, things started to go wrong. In an agonized letter to the *Princetonian* published on April 26, Dean of Students Eugene Lowe, while endorsing the goals of the march his office had helped sponsor, explained that "the testimony of one participant has created deep misunderstanding within our community and may have created barriers to reporting incidents." He then refuted key details of the woman's account. Although the survivor claimed to have brought a complaint before the Office of the Dean of Students against the man in question, no complaint or mention of the incident had ever been filed. The woman's allegation that her attacker, having been given the light sentence of a year's suspension, had recently returned to campus to torment her anew was absurd on its face. "We could expect a student who had committed such an act to be permanently removed from this community," wrote the astonished Lowe.

Rape victims are still Take Back the Night's main concern, but the issue of women's safety has been pushed to the periphery. The survivor story, a metaphor for all that's wrong with Western civilization, is more important.

Fearing charges of "blaming the victim," the campus press did not pursue the issue further. Behind the scenes, however, trouble roiled. Finding herself suddenly on the defense after Lowe's letter and perhaps hoping to regain credibility, the woman had quietly begun to circulate the name of a particular student in conjunction with her rape story. How widely was this charge spread? "Widely enough that this individual felt falsely accused," Lowe says. "Widely enough so that this individual's reputation in the community had been compromised."

The male student was finally forced to bring a formal complaint against the woman to the Office of the Dean of Students. Because Princeton's internal disciplinary proceedings are kept strictly confidential, students will never know the details of the arrangement reached in that office. On May 22 of last year, however, its outcome became fairly clear. On the *Princetonian*'s last publishing day of the year, a second essay by the woman in question showed up on the paper's op-ed page. Appearing under the headline "Apologizing for False Accusation of Rape," it was a retraction of her original account. "At the Take Back the Night march," she explained, "I was overcome by emotion. As a result, I was not as clear or coherent in my recounting of events as a situation as delicate as this demands."

The woman apologized for having



falsely accused a fellow student of raping her. "Because of [my] comments," she wrote, "a certain individual has been wrongly accused and is being pursued for a crime he did not commit." She admitted to naming this student as her attacker "in conversations with many members of this community" and said she regretted the fact that he had been "personally injured" and "verbally attacked" by peers as a result of her statements. "I urge students," she belatedly implored, "to cease blaming this person for my attack." Her motivation in slandering him was obscure. As she confessed, "I have, in fact, never met this person or spoken to him."

In an accompanying news analysis, worried university administrators reflected on what had occurred. "An open microphone can be abused," Lowe observed. "Speech that is made might not always be accountable. There is something in that dynamic that isn't controllable." Carl Wartenburg, the popular and high-profile assistant to the president, agreed that while an open-mike format "might be empowering to some, the risks are so great that it may not be healthy." Other administrators expressed concern about the number of women who in past years had deeply regretted their decision to speak at the march—rape survivors who, in seeking to become "part of the solution," had only brought new problems upon themselves.

Yet the march's student planners immediately closed ranks to defend the open-mike format. Insisting that the survivor story was "essential to affirming women's experiences," most seemed not to understand what all the fuss was about. As a *Princetonian* reporter reverently noted: "March organizers emphasized that instead of questioning survivors, community members should question the environment which perpetuates sexual violence."

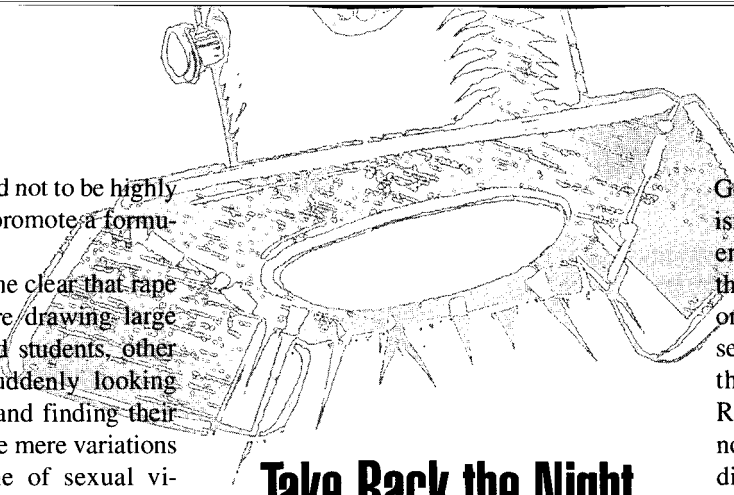
Admonishing the student body for its naive effort to "ensure that everything we hear [at the march] is truth," one campus Women's Center participant told a *Princetonian* reporter that we "need to listen not to find the truth in [the stories], but for what kind of needs these people have and what we can do to help." Another explained that the context for dishonesty was furnished not by the march but by the "rape culture" in which it occurred.

What can be the harm, march planners argue, of a few made-up stories, provided that activists continue to warn the campus against expecting truth from rape victims?

Administrators objected to the implication that survivor stories need not be truthful. Noting that "while it's never easy to get at truth, the truth is what we have to get," Dean Lowe wondered aloud whether the survivor story in its current form might not be doing more harm than good. Other administrators expressed similar concerns, suggesting that problems might be minimized if students wishing to relate their experiences did so before or after the rally in small, counselor-led group discussions.

But student planners of the event were loathe to give up their main attraction. "The march in its present form has a lot of power, with the whole community there," said one. "I don't think you can duplicate that in small groups." Administrators then suggested that survivors wishing to tell their stories ought to be screened more carefully. This was vetoed as well. "If there were some kind of screening, people would be less likely to speak," explained another organizer. What can be the harm, after all, of a few made-up stories, provided that activists continue to warn the campus against expecting truth from rape victims?

These consciousness raisers say they are acting in the interests of rape and harassment victims. But the evolution of Take Back the Night as a protest movement suggests otherwise. At Princeton and on campuses across the country, Take Back the Night marches began as the exclusive province of rape victims. While often having a strong political subtext, these



early marches tended not to be highly controversial or to promote a formulaic agenda.

Yet after it became clear that rape victims' stories were drawing large crowds of interested students, other activist groups—suddenly looking within their hearts and finding their own grievances to be mere variations on a general theme of sexual violence—began to clamor for inclusion. Gradually, rape victims lost control of the march, which is now run by their radical "advocates" at the campus Women's Center. Proclaiming themselves enablers of marginalized and oppressed people everywhere, the new march organizers were soon announcing their intention not to "silence any voices."

This linkage of rape victims to protest politics has changed the nature of the consciousness-raising project. Participants in the Take Back the Night march used to demand better campus lighting, additional rape counselors, cheaper self-defense classes. Now they denounce the "rape culture of American society." And having made the ideologized abstraction from rape to rape culture, Take Back the Night marchers can claim to act on behalf of rape survivors when they call for, among other things, a comprehensive "racial harassment policy" (read: speech code) with accompanying "programs"; gay and bisexual "role models" installed in each of the residential colleges; immediate action to correct "underrepresentation" in the administration and faculty; the installation of a minority "ombudsperson" in the Office of the President; and mandated use of "inclusive language" in all university documents.

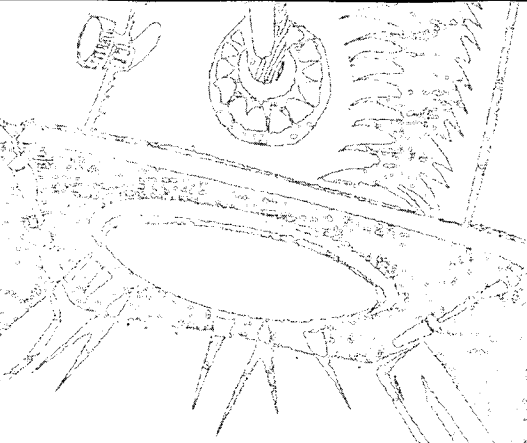
As a march organizer from the Women's Center told the *Princetonian*, "We are asking for changes which will get rid of the conditions that contribute to sexual violence." Last year's march was held in conjunction with "Sexual Harassment and Assault Awareness Week"—seven days of lectures and film screenings with titles such as "Race, Gender, and Representation," "Colonialism, Exoticism, and Sexuality in the Cinema," "Issues for Young Feminists," and the inevitable "Rape Culture." Lest anyone fail to comprehend the horror of sexual violence, a student who spoke at the march put things in perspective. Rape, she reminded the audience, was nothing less than "the crudest and most direct form of racism....You can't separate it from the culture of violence, domination, and oppression."

Take Back the Night marchers claim to act on behalf of rape victims when they call for a "racial harassment" policy (read:speech code) and gay and bisexual "role models" in each college.

"The direction we seem to be moving in," one of the march's principal organizers told the *Princetonian*, "is using the lens of personal experience to talk about different ways that different kinds of oppression are linked to sexual violence." In this way, the activists' unconvincing vision of America as a racist, sexist, classist, imperialist, homophobic dystopia can be revisited and revivified through its supposed consonance with the experience of rape victims, for whom any decent person would feel instinctive sympathy and concern. Buoyed by large, tearful crowds and extensive coverage in the campus papers, the protesters expect the university to take their demands seriously. One organizer from the Women's Center, explaining the march's ever-broadening political agenda, reasoned to the *Princetonian*, "Making demands has not hurt us in the past. The administration has granted us a lot of the things we've asked for."

To accomplish this, however, Take Back the Night can no longer celebrate the empowerment of rape survivors as an end in itself. Its primary goal must be to reveal them as human "lenses of personal experience" through which an entire world view can be refracted. For several years now, the march has tried to balance the need to keep survivor stories "central" against the need to address different varieties of oppression and achieve practical political goals. Organizers of Take Back the Night at Princeton "have tried to resolve this conflict," reported the *Princetonian*, "by having survivor stories serve as a springboard for a broader discussion."

Honest accounts of rape are advanced not to revolutionize society but to supply the facts and achieve justice. What kind



of survivor stories ought we to expect, then, from women instructed to function as political "springboards" and "lenses"? While some rape victims will always relate their experiences in a straightforward way, it seems inevitable that others—seized by performance anxiety, political overzealousness, or the tug of psychosexual exhibitionism—will feel compelled to serve up gothic melodramas of sexual calamity. Last year's false accuser made her statements not out of spite, not out of moral panic, but out of sheer aesthetic and ideological enthusiasm. Caught up in the drama of the moment, she allowed her narrative to careen wildly out of control.

Rape survivors have been victims of horrible crimes. When recalling the details of their assault, they must venture into excruciatingly private emotional territory. Why, then, have campus activists—self-proclaimed arbiters of sensitivity—seized upon their "personal experiences" as ideal material for midnight political theater? Why the need to keep survivor stories "central"? Because today's leftists have awakened to what Madison Avenue has known for years: Sex sells. As media pundits wring their hands over the problem of "campus apathy," students all over the country are defying the trend by showing up in the hundreds, even thousands, at Take Back the Night marches.

Meanwhile, campus rape victims seem to be tiring of the hype. Annoyed at the march's ideological bombast, they suspect that their experiences are being appropriated by people who in truth care very little about them. "Take Back the Night is being turned into a vehicle for something that has nothing to do with rape or sexual harassment," one rape victim says. "The whole point of the march is to give women a space, and that can't happen if you set a political agenda."

One of the three rape victims who participated in the event's planning two years ago recalls: "Every time I opened my mouth to criticize them, they jumped on me. They said, 'You're privileging yourself. You're trying to emotionally blackmail us.' " This year, no rape survivors were involved in planning Take Back the Night. So what do the organizers talk about? "Oh, you know," says the former planner. "Whether or not to invite men. They'll spend hours and hours arguing over whether men should be allowed to sit in on the planning meetings. It is a bunch of upper-middle-class white women who are just totally clueless."

Today's leftists have awakened to the fact that sex sells. But rape victims now suspect their experiences are being appropriated by people who care very little about them.

In the wake of last spring's false accusation, Princeton administrators may also be losing confidence in the march organizers' ability to deal effectively with rape victims. Survivors' "boundaries have been confused and need to be reasserted," Lowe says. "I doubt that works very well in an atmosphere of high drama." Asked what he thinks of the march planners' claims that the stories need not be true to be valuable, he replies, "I have no sympathy for that argument. People get better when they deal with truth. And I want these people to get better." Will pressure be put on organizers to change the march's structure? Lowe responds cautiously: "I am hopeful that it may be different. It may not be. In a place that values free expression, you can't stop people from standing up and talking."

Under the guise of empowerment, then, rape victims on college campuses continue to be disempowered. Political agitators desiring the attention of "the whole community" have manipulated them into becoming crowd-pleasing exhibitionists of their own sexual histories. The new consciousness raising promotes voyeurism under a guise of revolutionary virtue. In borrowing rape victims' moral authority, campus activists seek to burnish their own dull ideas with the sheen of victimization and, in doing so, to intimidate critics into silence. The result is political metatheater—a spectacle of sexual exploitation in protest of that very outrage.

Ruth Shalit is a senior at Princeton University.

GAME WARDENS FOR DINOSAURS

BY MICHAEL McMENAMIN

It violates First Amendment rights to force people to pay union dues that are used to support political candidates or causes with which they disagree. The U.S. Supreme Court said that in 1988. The decision was written by its most liberal member, William Brennan.

So why did it take George Bush until April 13, 1992, in the middle of a tough re-election campaign, to 1) issue an executive order requiring all government contractors to remind employees of their rights; 2) instruct the Department of Labor to impose new record-keeping regulations for unions, making it easier to verify what percentage of union dues go to political candidates and causes; and 3) urge the National Labor Relations Board to adopt expedited procedures to deal with the backlog of 300 cases of individuals who have had their constitutional rights violated?

Round up the usual suspects. President Bush is a busy guy. With a lot of things to do. And, until the need for re-election beckoned, domestic issues just didn't grab his attention like the fall of the Berlin Wall, the reunification of Germany, the breakup of the Soviet Union, not to mention Operation Desert Storm.

But what have the NLRB and its general counsel, Jerry Hunter, been doing for the last four years to protect these employee rights? They certainly can't use foreign policy as an excuse. And, unlike the Department of Labor, the NLRB doesn't take orders from the president. It is an independent agency whose primary function is to protect the individual rights of employees.

As its general counsel, Hunter plays a major role in shaping NLRB policy because of the enormous discretion he possesses in deciding which cases to prosecute. And the fact is that the NLRB and Bush appointee Hunter have not been doing much to protect the First Amendment rights of individual employees. So what is their excuse?

It's easier to understand if you think of labor unions as dinosaurs. All the signs are there—the lumbering gait, the bloated countenance, the musty smell of creatures living beyond their time, destined for extinction. And think of the NLRB and Hunter as game wardens who believe their prime purpose is to protect and preserve the dinosaurs as the endangered species they are.

During the last four years the NLRB has been fighting a rear-guard action to slow the decades-long decline in union membership, trying to maintain the traditional adversarial relationship between companies and workers.

The wardens are fighting a losing battle. Before national labor laws were passed in the 1930s, only 11 percent of the private work force belonged to labor unions. After the creation of the NLRB, union membership soared to 23 percent of the private work force in 1937 and 35 percent in the early 1950s at the height of the Korean War. After that, it was all downhill: 27 percent in 1970; 22 percent in 1980; and today, less than 12 percent. Before the turn of the century it will be under 10 percent.

The decline is not only statistical. The recent capitulation of the United Auto Workers in its five-month strike against Caterpillar is vivid proof. The UAW folded at the threat of permanent replacements for the strikers because, if it hadn't, scores of Caterpillar workers were going back to work to save their jobs in defiance of their union. They weren't about to learn the hard way that a union's only weapon, a strike, can be hazardous to your job when your employer uses the other side of the blade—giving your job to someone who wants it more.

Herein lies the explanation for what the NLRB has been doing for the last four years—fighting a rear-guard action to slow the decades-long decline in union membership. (A decline, by the way, not yet matched by a similar decline in the number of NLRB employees.) Understandably, making it easier for employees to assert their First Amendment rights and more difficult for unions to spend employee dues on their favored political candidates and causes is not high on the agenda of the NLRB or its general counsel.

What is? Maintaining a traditional adversarial relationship between companies and workers is very important. A case in point is the attempt by General Counsel Hunter to declare illegal the growing trend in American industry toward greater employee involvement in decision making.

Hunter claims in a complaint against Electromation Inc. that volunteer employer-employee action committees devoted to single topics such as a communication network, a no-smoking policy, an attendance-bonus program, and absenteeism are illegal under federal labor law. Such employer-employee committees are, this reasoning goes, akin to company-dominated labor unions and would undermine the traditional adversarial nature of management-labor relations required by our national labor law. Hunter has already won at the trial level,

and the case is now on appeal to the NLRB, which heard oral arguments late last year.

Hunter's decision to prosecute Electromation is significant because it betrays a bureaucratic mindset, a blinkered view of an adversarial model of labor relations as the only acceptable one. It is an attitude as out of date as the dinosaurs Hunter is striving to save.

It is a myth that American industry is not competitive in the world economy. While labor unions were declining in the 1980s, American productivity in manufactured goods was increasing 3.1 percent a year, faster than in European countries and the same rate as in Japan, which started from a much lower base. During that same period, U.S. manufacturing labor costs declined 7 percent while in the eight other top industrial economies, including Japan, labor costs rose by more than 45 percent. Indeed, our so-called trade deficit is largely made up of automobiles and imported oil; in everything else, from computers to aircraft, semiconductors, medical instruments, communications, and chemicals, the United States is, as *Forbes* recently described it, the world's most competitive economy. Our trade surplus with Europe alone was $16 billion, and we export more to Japan than we do to any European country.

Worker involvement has played an important role in this turnaround in American manufacturing productivity. It is not the only reason, to be sure, but a vital component nonetheless, whether in the form of Japanese-style quality circles, productivity committees, or the other myriad forms that worker empowerment on the factory floor has taken. Hunter wants all this to end. Then we can return to the confrontational labor relations that characterized earlier decades when unions had more members, U.S. companies did not face foreign competition, management and labor treated each other as enemies, and the NLRB was not yet preoccupied with institutional self-preservation.

Rolling back employee involvement and improved U.S. productivity are not Hunter's only goals. He also seeks to make it easier—and penalty free—for union supporters to threaten managers with bodily harm, even death.

In a case involving Precision Window Manufacturing, Hunter filed a complaint seeking the reinstatement of a union supporter who, in a workplace altercation, threatened to kill his supervisor. Escorted from the plant, the supporter vowed to return at the end of the shift to carry out his threat. And return he did, waiting in a car outside the factory gates. Police were called, and they prevented the employee from taking further action. No harm, no foul, claimed Hunter, and he persuaded the NLRB to reinstate the union supporter and give him a second chance.

"A second chance at what?" is a legitimate question for the threatened supervisor and his company. Hunter doesn't care. Dinosaurs need all the protection they can get.

Cynics might question whether George Bush really cares about the First Amendment rights of employees or whether his executive order simply marks another election-year conversion. After all, unions support Democrats more than Republicans.

And the fact is, George Bush cannot undo the last four years of sitting on his hands and watching the NLRB and Hunter sit on theirs, leaving employees and their First Amendment rights unprotected. But Bush can do something a lot more concrete than simply begging the NLRB to adopt more expeditious procedures for handling workers' complaints about union dues. He can ask for Hunter's resignation as general counsel.

As Leo Amery said on the floor of Parliament in May 1940, quoting Oliver Cromwell and urging Neville Chamberlain to resign as prime minister: "You have sat too long for any good you have been doing. Depart, I say, let us have done with you. In the name of God, go!" It is a message that many of the members of the NLRB would do well to heed.

Contributing Editor Michael McMenamin is a lawyer with the Cleveland-headquartered firm of Walter, Haverfield, Buescher & Chockley.

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WHO LOVES THE GUVS?

BY JOHN J. PITNEY JR.

When Arkansas Gov. Bill Clinton and former California Gov. Jerry Brown outlasted several other contenders for the Democratic presidential nomination, they confirmed two things. First, it pays for candidates to talk about "new ideas," even when they have none. Second, governors have once again become major players in presidential politics.

The latter point is just as significant as the first. In every election between 1924 and 1956, one or both major parties chose a presidential nominee who had served as governor. But from 1960 to 1972, the major parties turned to the likes of Kennedy, Johnson, Goldwater, Nixon, Humphrey, and McGovern—all sons of Capitol Hill, and not a governor among them.

Massachusetts Gov. William Weld may position himself as a new kind of presidential contender.

Political analysts observed that the Senate had replaced the state capital as the nursery of presidential ambitions. In the old days, a Franklin Roosevelt or a Thomas Dewey could win the nomination because his gubernatorial job kept him in touch with the "kingmakers"—the legendary bosses who saw the world from between the brim of a Fedora and the tip of a cigar.

In the 1960s, however, reporters who saw life through a camera viewfinder ruled presidential politics. Senators had easy access to the elite Washington press corps, while most governors could only reach the small-fry and washouts assigned to the backwater beat of the statehouse. And during the early days of Camelot, senators could claim credit for new social programs and pontificate about foreign affairs, while governors were stuck with explaining bond issues and tax increases.

In the mid-1970s, things started to change again. Watergate, Vietnam, and the failure of the Great Society spoiled Washington's image. Senators kept getting press attention, but more of it was hostile: Compare the cover-up of John Kennedy's assignations with the ever-deeper excavations of Edward Kennedy's personal life. (The Senate had lost its luster but not its lusters.)

The percentage of Americans reporting "a great deal of confidence" in Congress plunged from 21 percent in 1972 to *9 percent* in 1976. Senators were heading into political oil slicks: Their reelection rate had topped 86 percent between 1962 and 1970, but it dropped to 74 percent between 1972 and 1980.

Governors, meanwhile, saw an increase in their reelection rates in the same period, from 70 percent to 75 percent. The 1976 presidential election reflected this reversal of fortunes. Several big-name senators—including Frank Church and Henry Jackson—sought the Democratic nomination, yet they were all outrun and outgrinned by an obscure former governor of Georgia. And on the Republican side, a former governor of California came within a Brylcreemed hair of taking the crown from President Gerald Ford.

Former Gov. Reagan went on to win the next two elections. The rise in gubernatorial stock continued in 1988 when the Democrats chose Michael Dukakis, the first sitting governor to win a presidential nomination in 36 years. And in state elections between 1982 and 1990, the gubernatorial reelection rate rose again, to 80 percent. (House and Senate rates increased as well.)

Several trends combined to strengthen the governors. One was the monstrous increase in the size and reach of state governments. Since 1960, real per-capita state spending and the number of state employees have both more than *doubled*. Indeed, since the early 1970s, state governments have employed more civilians than the federal government. Among other things, these numerous state employees have been busy writing and enforcing regulations that cover many aspects of business and everyday life.

Through their authority to appoint officials and veto items in appropriation bills, governors generally wield a good deal of control over the states' burgeoning power. Those people who stand to gain or lose from state action—a rather large group—thus find it prudent to stay on a governor's good side.

Early in the 1988 race, Michael Dukakis gained a decisive fund-raising advantage over his rivals by getting contributions from corporate executives in Massachusetts. Sens. Paul Simon and Albert Gore, who each cast only a single vote in a 100-member body, lacked the financial leverage that a sitting governor could exercise.

In the 1970s and 1980s, the expansion of state government provided governors with numerous occasions to tout their "innovative policies," a.k.a. spending programs. Most readers have heard of Dukakis's Employment and Training program, along with other elements of the

"Massachusetts Miracle." Dukakis's accomplishments proved as bogus as they were costly—yet they did generate a great deal of favorable publicity in the 1988 campaign.

Less well-known is that *Ronald Reagan* also campaigned on his gubernatorial spending initiatives. A 1980 campaign document noted that, as governor, Reagan "expanded state aid to education at all levels, from elementary schools to the state universities; increased the number of state scholarships awarded by over 500%, and the amount of state loans and scholarships by 915%."

Governors now have greater opportunities to win exposure and make political contacts beyond their states' borders. Many states now run overseas offices and sponsor foreign-trade missions, which governors often lead. In the autobiography circulated in his 1976 campaign, Jimmy Carter recalled: "During the last two years of my term, we made personal and official visits to ten other nations. In each instance, our goal was to promote friendship and trade, and to learn as much as possible about our hosts." In fact, his main goal was to pad the otherwise-vacant "international experience" line on his presidential résumé.

A governor can also amass mileage within the United States. Bill Clinton gained national prominence by heading the National Governors' Association task force on educational goals. And by winning the helm of the Democratic Leadership Council, he established himself as his party's leading quasi-moderate. (Note: In light of Clinton's amazing "flexibility," all adjectives applied to him should start with the prefix *quasi*.)

Changing terms of office also helped spread Potomac Fever to a number of state capitals. In 1960, 15 states elected governors to two-year terms. Their governors faced the unappealing prospect of giving up their offices if they wanted to run for president. Since then, 12 of these states have switched to four-year terms—and except for North Dakota, all have opted to hold elections in nonpresidential years, freeing their chief executives to seek the White House. Massachusetts changed in 1966, when Michael Dukakis was still a hungry state legislator. The most recent switch came in 1986—in Arkansas.

Yet for all their newfound assets, governors still have considerable disadvantages in presidential campaigns. Heading a state government is a demanding job that may leave its occupant with little time and energy for the campaign trail. Carter and Reagan both departed office in 1974, so they had the luxury of becoming full-time candidates. Conversely, Mario Cuomo was probably not dissembling last December when he said New York's budget woes precluded him from entering the primaries. Even a free-spending statist such as Cuomo has a tough time keeping up with the orders for pork coming from New York's greedy and corrupt legislature.

Governors are magnets for blame as well as credit. Whereas lawmakers can dodge accountability for just about anything, governors rise or fall with their states' fortunes, whether or not they are actually responsible. Dukakis took the bows for the good economic times that Massachusetts enjoyed in the 1980s—even though the boom stemmed from tax cuts that he had opposed. When the state crashed after the 1988 election, the last embers of his political career were extinguished—even though he was only one of many culprits.

Fiscal reality is catching up with the states, so governors in the 1990s may lose the political benefits that accompanied the expansion of state government. Some, however, are turning austerity to their advantage. William Weld, who succeeded Dukakis, responded to the state's fiscal crisis with budget cuts instead of tax hikes, and he aims to restructure the state's government through initiatives such as privatization and school choice. If he succeeds, he may well position himself as a new kind of presidential contender: a governor who achieves prominence by making government better instead of bigger.

John J. Pitney Jr. is assistant professor of government at Claremont McKenna College, Claremont, California.

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BALANCING ACT

BY RICK HENDERSON

It's been a wacky spring inside the Beltway. The House bank scandal, the voluntary retirements of seven senators and more than 50 representatives, and the Ross Perot noncampaign have already unsettled the comfortable and well-established here. But the biggest surprise may come in June: Democrats may navigate a balanced-budget amendment through Congress.

The amendment, principally sponsored by Sen. Paul Simon (D-Ill.) and Rep. Charles Stenholm (D-Tex.), would both limit Congress's power to run deficits and make it somewhat harder to raise taxes. Before the federal government could run a deficit, a 60-percent majority in both houses of Congress would have to vote for it. And any tax increase would require a roll-call vote, placing legislators on the record; the vote would also have to be by a "constitutional" majority—"aye" votes from more than 50 percent of all members, not just a majority of those present at the time the vote is taken. (Stenholm has 268 cosponsors, Simon, 26; the measure's chief Republican sponsor is Sen. Strom Thurmond of South Carolina.)

But not all of the usual supporters of fiscal restraint back Simon-Stenholm. Some fiscal conservatives see this amendment as a means for big spenders to enact new programs and sock taxpayers with huge new levies. Others who back the amendment admit taxes will go up. But if the government has to live within its means, they argue, spending must eventually come under control.

Among fiscal conservatives, perhaps the most vocal critics of Simon-Stenholm are the U.S. Chamber of Commerce and the National Tax Limitation Committee. Matthew Kibbe, director of federal budget policy for the Chamber, says his organization opposes Simon-Stenholm because "we will get tax increases every year we have a budget crisis."

Kibbe says the Chamber doesn't like deficits but is more worried about the huge chunk of economic activity consumed by government spending. He argues, following economist Milton Friedman, that the deficit has helped limit spending on new programs. Federal spending currently consumes around 25 percent of gross domestic product. If Simon-Stenholm is ratified, Kibbe says, "I can foresee a balanced budget at 40 percent of national income."

The monstrous size of today's deficit and the consequent turmoil rapid budget balancing might cause are also troublesome. In 1990, the last time the House considered a balanced-budget amendment, the deficit was $150 billion. Now it's $400 billion. And Beltway number crunchers project perpetual deficits in the $200- to $400-billion range.

If Washington had to reduce the deficit by $400 billion in one year, National Federation of Independent Business Vice President John Motley says, "fiscal disaster" would result. Personal and business tax rates could soar. Frantic military cuts could sink defense-industry stocks. Short-term interest rates might skyrocket. By a margin of three to one, NFIB members oppose a balanced-budget amendment without limits on taxes. The group hasn't decided whether to endorse Simon-Stenholm or remain neutral.

By contrast, Stephen Moore, director of fiscal policy studies at the Cato Institute, supports Simon-Stenholm without reservations. If it is ratified, he admits, "we'll see tax increases." But as people start to feel the tax bite, he predicts, they'll demand spending restraint.

Moore notes that balanced-budget requirements have kept spending down in state capitals as the recession has slowed the growth in tax revenue. While federal spending has risen by 8 percent each of the last two fiscal years—twice the rate of inflation—state spending rose by 4 percent last year and will probably go up by only 2 percent or 3 percent this year.

To make the transition to a balanced budget less chaotic, Moore predicts, Con-

gress will enact a plan similar to the Gramm-Rudman-Hollings deficit-reduction act. Indeed, Simon told the *Los Angeles Times* that as state legislatures consider ratifying an amendment—and 38 must ratify, a process most observers think would take five years—Congress "would really have time [to reduce the deficit] in a very systematic way." Even Motley believes that any balanced-budget amendment would force Congress and the White House to attack spending, even on entitlements, immediately after this November's elections.

The organizations that either oppose Simon-Stenholm or that plan to stay on the sidelines haven't given up on a balanced-budget amendment altogether. They support a proposal sponsored by Rep. Joe Barton (R-Tex.), Rep. Billy Tauzin (D-La.), and Sen. Bob Kasten (R-Wis.). This alternative ties tax increases to economic growth: Any tax hike that raises revenue by a percentage greater than the annual increase in GDP must receive a 60-percent majority in both houses. Unfortunately, even the most vocal supporters of the Barton-Kasten amendment know it won't pass, because Congress won't allow its hands to be tied so tightly.

The debate among fiscal conservatives centers on the incentives legislators face. Kibbe and the Chamber argue that when legislators must choose between tax increases on everyone and spending cuts in their home districts, taxes will go up every time. They see a permanent Washington establishment that no amount of taxpayer resistance can shake.

Moore, however, sees a new tax revolt brewing. He believes voters will "throw the bums out" if they perceive a tax burden that's too heavy.

And with congressional approval ratings in the teens, demoralized legislators may do anything—even limit their ability to spend what they don't have—to win in November.

"It's been a crazy year," says Motley. "And it's going to get even more fun."

Rick Henderson is Washington editor of REASON.

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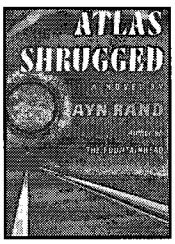

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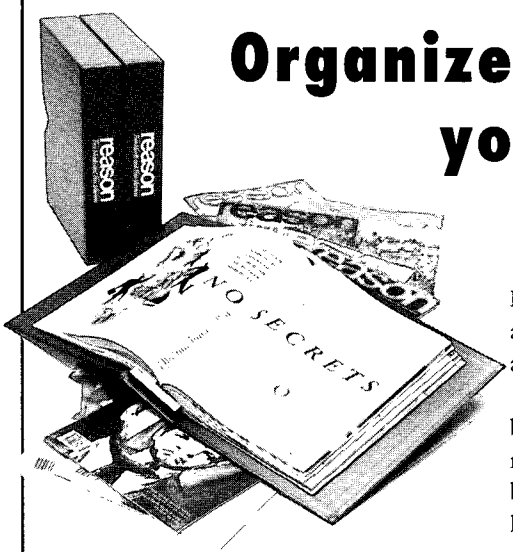

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FASTER, HOLLYWOOD! KILL! KILL!

BY TEVI TROY

In the film *Total Recall*, Arnold Schwarzenegger puts a bullet between the eyes of the woman who has posed as his wife and deadpans, "Consider zat a divorce." Such a mixture of violence and humor is a staple of contemporary action films, as are large body counts. Some critics argue that this onslaught of casual violence is a new phenomenon invading our movie theaters.

New York Times critic Vincent Canby writes, "If you have the impression that movies today are bloodier and more brutal than ever in the past, and that body counts are skyrocketing, you are absolutely right. Inflation has hit the action-adventure movie with a big slimy splat." Critics worry that all this cinematic bloodletting is creating a nation of time-bombs who will explode at the slightest provocation.

As our real-life legal system lumbers along, a frustrated public vicariously enjoys the immediate justice of action flicks.

But violence in popular culture is an ancient tradition. America was a violent society before Hollywood brought that fact into our living rooms. The shootouts of the Wild West predated our mass-media culture. And while gangsters littered the streets with their rivals during the mob wars of the 1920s and 1930s, Hollywood films of that era generally did not show on-screen deaths. The mob could not have gotten its inspiration from the movies, since even gangster films such as James Cagney's *Public Enemy* had little in the way of explicit violence.

If violent movies don't produce violent people, what do they do? The answer to this question lies with the people who watch the films.

Sixteen-to-twenty-five-year-old males are the target audience for most films, especially for action and horror films, the most violent genres. Imputations that all kill-movie fans are, at best, Neanderthals or, at worst, latent sociopaths completely miss the mark. Movie goers can enjoy fictional bloodshed without being tempted to engage in the real thing.

Indeed, young men may find violent films—specifically the action genre—cathartic precisely because real violence is off-limits. Jeremy Fand, a young investment analyst and kill-movie aficionado, claims that these "films represent a way of getting violence without doing it yourself. They represent a fantasy of what we would like to do but can't."

The cathartic nature of such films stems from three sources. First, since the American legal system is often frustratingly slow, viewers enjoy the immediacy of on-screen retribution. When the villain dies, justice prevails without any plea bargains, technicalities, or bureaucratic rigmarole.

Second, the moral viewer cheers (internally or externally) the triumph of good over evil. Third, although most viewers know that the hero will eventually kill the villain, a good film builds suspense, and the hero's ultimate victory relieves that tension.

The cathartic film is often highly moral, setting forth clear-cut conceptions of right and wrong. This formula appears across many different genres: cop films (from *The French Connection* to Steven Seagal's *Out for Justice*), Schwarzenegger and Stallone muscle-fests (*Red Heat, Raw Deal, Cobra*), spy thrillers (the James Bond films), comedies (*The Hard Way*), and science fiction (*Robocop*). These movies frequently center on a lone individual who dispenses justice to the villains around him.

This cathartic formula has been especially popular since Clint Eastwood became the world's biggest film draw in the late 1960s. Although moralistic westerns with stars as diverse as John Wayne, Henry Fonda, and Gene Autry had been a theater staple for decades, Eastwood's iconoclastic loner dispensing his own brand of justice in spaghetti westerns such as *The Good, the Bad, and the Ugly* and *A Fistful of Dollars* touched a nerve. He became even more popular when, as Dirty Harry, he updated his winning combination to contemporary America's crime-ridden streets.

The public perceived that the American justice system had gone soft on criminals and that real cops could no longer adequately deal with crime. But during the course of five films spanning 18 years, Dirty Harry rid San Francisco's streets of psychos, terrorists, overzealous vigilante cops, rapists, and other riffraff.

The concern with crime also gave rise to an increased focus on weaponry. In *Lethal Weapon*, automatic-bearing Mel Gibson chides Danny Glover about his choice of pistol. Sylvester Stallone in *Cobra*, Richard Gere in *No Mercy*, and Chuck Norris in *Code of Silence* all prepare for their bloody showdowns as the camera pans their arsenals. These images counter the impression that cops are outgunned in today's urban battlegrounds.

The policeman or vigilante as hero

COURTESY OF WARNER BROS.

predominated as crime films took the place of the western. Once audiences saw a tearful Native American mourning the pollution of the land, as in the famous commercial of the 1970s, they could never again cheer for John Wayne to wipe out "injuns."

Mick Martin and Marsha Potter's *Video Movie Guide 1990* reveals only 31 westerns released in the 1980s. The average cinema goer would probably recognize only five: *Heaven's Gate*, *Long Riders*, *Pale Rider*, *Silverado*, and *Young Guns*. Of these, *Heaven's Gate* was noteworthy only because it died at the box office and bankrupted United Artists. None of the five have any conflicts with Indians. The trend is toward the "politically correct" villain, usually a greedy white landowner or developer.

With the demise of the western, the action genre came to rest mostly in the hands of 20th-century crime fighters. Joel Silver is probably the most successful producer of this type of film. His movies follow an unerring formula: The line between right and wrong is clearly drawn, the good guy must buck the system to do his job, and, in the end, the good guy gets the villain.

Like Eastwood, Silver's characters disdain bureaucracy and technicalities that free criminals. In Silver-produced films such as *Die Hard*, the *Lethal Weapon* series, and *The Last Boy Scout*, underdog individuals or motley misfits triumph over evil. His films are violent, but the death of innocents makes the audience wince, while the deaths of villains elicit cheers. When shot, good guys feel pain, bad guys disappear. In a world of grays, these black-and-white morality plays have tremendous appeal.

Contrary to its critics' assertions, movie violence has a long history and potentially beneficial effects. And, like it or not, violence is entertaining; Americans enjoy it. In this respect, violence is even simpler than its enemies claim, and a damned good show, too.

Tevi Troy is a researcher for the American Culture Project at the American Enterprise Institute. He wrote this piece as a Claremont Institute Publius Fellow.

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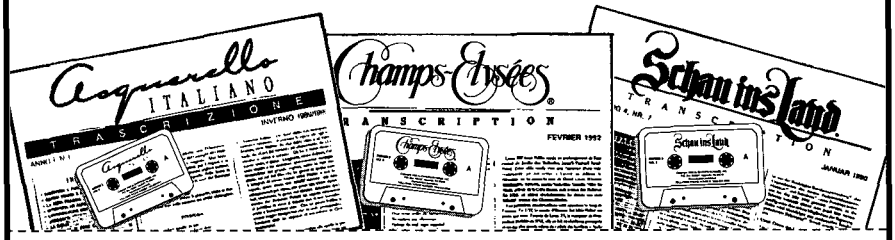

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KINDERGARTEN COMMISSARS

BY K.L. BILLINGSLEY

In May 1989, 8-year-old Alicia W. was raped and sodomized. The child said that the rapist had entered through a window of her home, but officials from the San Diego County Department of Social Services disregarded her testimony. Their chief suspect was the girl's father.

The DSS took Alicia from her family on the grounds that the parents were unable to keep her safe. After 13 months of "therapy" at the hands of Kathleen Goodfriend of the La Mesa Village Counseling Group, the child changed her story and identified her father as the attacker. Alicia was days away from being adopted when DNA tests on semen left on the child's clothing proved that Jim W., the father, could not have been the attacker.

Albert Raymond Carder, a convicted child molester, was among the 5 percent of the population whose DNA profile matched that of the semen. The officials who removed the child from the family knew from the beginning that Carder had been operating in the same neighborhood. Indeed, five days after the attack on Alicia, Carder had abducted another child through a window. The officials ignored the evidence.

Two and a half years after the attack, the state dropped charges against Jim W. They returned Alicia to her rightful home with a medication to which she is allergic, without the glasses she wore when they took her, and with no record of an optical check-up.

A grand jury investigating the county's child-welfare system found that the family's out-of-pocket costs before being billed for foster care were $260,000—not the kind of expense an enlisted man living in Naval housing can sustain. Jim and his family went deeply into debt to get Alicia back. This was a case, said the grand-jury report, *Families in Crisis*, that "never should have been in the juvenile system."

Evidence from both private and government sources makes a strong case that Jim's ordeal is far from unusual. In San Diego alone, the grand jury analyzed 300 complaints with similar elements.

In his book *Wounded Innocents*, Richard Wexler convincingly demonstrates that some 1 million Americans are falsely accused of child abuse each year. He further shows that child-abuse statistics

In the child-abuse system, the burden of proof is on the alleged perpetrator to prove his innocence.

are based on reported cases, 60 percent of which turn out to be unfounded. This information suggests that San Diego's problem is typical of the "war against child abuse" nationwide.

The child-abuse system operates under its own legal code. The phrase "in the best interests of a child" is the incantation that bureaucrats use to make the presumption of innocence disappear. "The burden of proof," said the San Diego grand jury, "contrary to every other area of our judicial system, is on the alleged perpetrator to prove his innocence."

Social workers tend to approach every case with an assumption that abuse took place and then look for evidence to support it. In the absence of anatomical evidence, medical personnel offer the not-inconsistent-with-abuse diagnosis, roughly equivalent to arresting suspects because their behavior is "not inconsistent with crime."

For example, when three children she was investigating denied being abused, psychologist Jean Campbell ruled that they were "in denial" and recommended that they be isolated from everyone in their family for six months so they could "disclose" the truth. But it was the psychologist, not the kids, who suffered from denial. The *San Diego Union* reported that the original accusation came from a relative with a history of mental illness.

"In too many cases," the grand jury concluded, "Child Protection Services cannot distinguish real abuse from fabrication, abuse from neglect, and neglect from poverty or cultural differences."

Families in Crisis found that social workers have "nearly unlimited power" and were practicing "police work" rather than their craft.

The grand jury also found that "some police officers abdicate their role as fact finders to the social worker" and that "detectives will integrate elements of the social worker's investigation into their own reports, instead of performing an independent investigation."

Social workers wield great clout throughout the system, farming out lucrative referrals to therapists and placing children with foster parents. The grand jury found evidence that social workers use their clout to exclude those psychologists or foster parents who question the DSS's findings. In fact, the grand jury discovered, "for many of these foster parents this is a livelihood and foster parenting has become another part of the child abuse industry."

Through Social Security the federal government pays much of the cost of placing children in foster homes. The competition for this money is fierce. One social worker attempted to place the seized child of Gavin O'Hara in the home of the social worker's sister and brother-in-law, who were not licensed as foster parents. O'Hara's attorney described the case as "government sanctioned child stealing." The grand jury acknowledged a "widely held perception that DSS is in the 'baby brokering business.' "

The public has remained ignorant of these facts because juvenile-court proceedings are largely conducted in secret. Former

court referee William Burns told the *San Diego Union* that "people who are behind closed doors can do any damn thing they want and, in Juvenile Court, they do."

The grand jury found that court referees are dependent for their continued appointment on the goodwill of DSS and for that reason are hesitant to go against the recommendations of DSS. The entire juvenile system, said the jury's report, is characterized by "confidential files, closed courts, gag orders, and statutory immunity" and has "isolated itself to a degree unprecedented in our system of jurisprudence."

Court-intervention officers "don't know the difference between opinion and evidence," the jury concluded. Evidence contrary to the DSS position is either excluded or ignored, and more than 98 percent of their petitions are granted.

Social workers, the report continued, "lie routinely, even when under oath in court," and there were "numerous instances" in which social workers disobeyed court orders. When parents and therapists complained, the DSS offered little or no response, and there were many cases in which "social workers have been allowed to retaliate" by threatening siblings with new actions and forbidding visitations. The jury concluded that the department was incapable of policing its own and that DSS problems "have become more deeply entrenched."

In response, the department told the jury that criticism was "inappropriate" and asked them not to listen to "fringe groups," likely a reference to private advocacy organizations such as VOCAL (Victims of Child Abuse Laws). The DSS further charged that press accounts of its misconduct were distortions. But the grand jury, which examined mountains of evidence and took testimony from 250 witnesses, found that news reports on the DSS were indeed accurate.

As for Jim W., he has filed suit against the county, trying to get compensation for the expenses he incurred clearing his name. Nothing will ever compensate his family for the emotional agony they were put through.

And though he has been exonerated and they have been proved wrong, not a single judge, social worker, or therapist has apologized to Jim W. for ruining his family's life. Social worker Diane Anderson, who needlessly yanked Alicia W. from her home, is still on the job. And none of the San Diego social workers involved in misconduct has been dismissed or disciplined.

On April 21, the Public Safety Committee of the California Assembly rejected a measure that would have lifted child-protection workers' unqualified immunity from prosecution. Opponents of the legislation, which was prompted by the Alicia W. case, had said the bill would have a "chilling effect on social workers."

K.L. Billingsley covers California for The Spectator.

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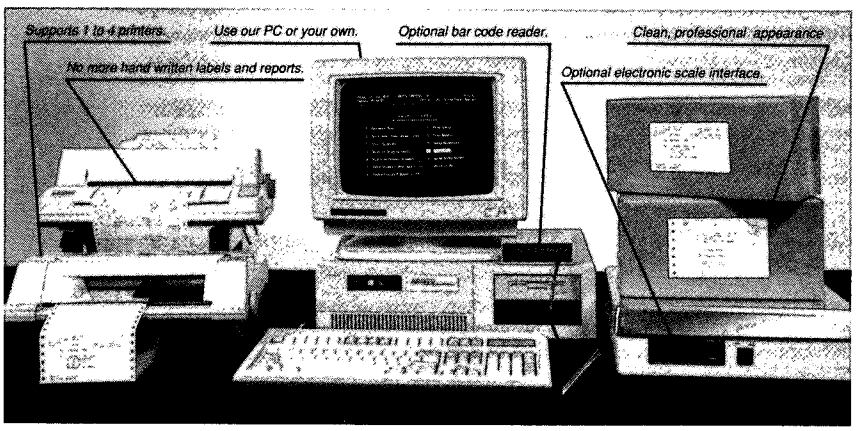
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Big Government at Fire-Sale Prices

BY RICK HENDERSON

Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector By David Osborne and Ted Gaebler, Reading, Mass.: Addison-Wesley, 359 pages, $22.95

The Massachusetts treasurer fires the state employees who pick up lottery receipts and hires United Parcel Service to collect them instead. Florida contracts the administration and maintenance of three public-school districts to a private, for-profit company. California authorizes four new private toll roads to relieve traffic congestion.

Mandatory recycling programs are part of the authors' vision of a new and improved progressivism.

Across the nation, federal, state, and local agencies are asking the marketplace to perform services governments have traditionally provided. In *Reinventing Government*, writer and political consultant David Osborne and former city manager Ted Gaebler chronicle these market-oriented approaches. They also systematically suggest how other government officials experiencing legislative gridlock or budget shortfalls might get their agencies moving again.

Reinventing Government has apparently provided bedside companionship for policy nerds everywhere. It's been on *The Washington Post*'s best seller list for weeks. The authors' fans include Bill Clinton and Massachusetts Gov. William Weld (each of whom wrote a glowing blurb for the dust jacket), as well as Florida Gov. Lawton Chiles. Indeed, this book may be Clinton's campaign manifesto: He often speaks of "reinventing government" and derives many of his policy proposals from these pages.

In the preface, Osborne and Gaebler state, "We believe deeply in government. We do not look at government as a necessary evil." What they hope to do is make government work more effectively without soaking taxpayers. Despite the authors' open embrace of government activism, they offer reform-minded fiscal conservatives plenty of examples to show how government can do more with less.

The problem with government, the authors argue, is that it behaves like government—slow, unresponsive, and inflexible. "Normal government budgets encourage managers to waste money," they write. "If they don't spend their entire budget by the end of the fiscal year, three things happen: they lose the money they have saved; they get less next year; and the budget director scolds them for requesting too much last year."

The authors also cite Pentagon procurement reformer Bob Stone: "My guess is that a *third* of the defense budget goes into the friction of following bad regulations—doing work that doesn't have to be done." Sluggish bureaucracies stifle service providers at every level of government. They are, the authors say, "like luxury ocean liners in an age of supersonic jets: big, cumbersome, expensive, and extremely difficult to turn around."

The authors believe they know how to make government more responsive: Strip away rule-bound bureaucracies and change the incentives agencies face. Force governments to invest rather than spend, make service providers treat clients as customers, refocus agencies on the missions they hope to accomplish rather than the bureaucratic rules that constrain them. To work, government should act more like a business.

If these vague directives sound as if they came from management gurus Edward Deming or Tom Peters, that's the idea—and the problem. Despite the book's comprehensive treatment of the creative ways government officials are reconstructing stilted bureaucracies, it is overloaded with jargon: *mission-driven agencies*, *total quality management*, *neighborhood empowerment*, and the like.

More important, we should temper our zeal to make every government agency more businesslike. In 48 states, motor-vehicles registries can sell personal information from drivers' licenses to direct marketers; many of them do. And I, for one, am happy that bureaucratic (a.k.a. constitutional) rules prevent the Internal Revenue Service and the Drug Enforcement Administration from relentlessly pursuing their missions.

When the authors start prescribing instead of describing, they get into trouble. They recognize that market competition requires entrepreneurs to provide more things at lower prices. They would agree that, say, it's better to give the poor food stamps than to have the government run grocery stores.

And they recognize—theoretically, anyway—that regulations impose burdens. But cite any specific regulation—from health warnings on "dangerous" products to bans on styrofoam cups—and they'll

COURTESY OF CITY OF SANTA MONICA

probably figure out a way to give it an entrepreneurial spin. Indeed, they praise regulation as "a third way[!], an alternative to both the liberal call for administrative programs and the conservative call for government to stay out of the marketplace."

They use regulations as a response to "market failures," such as the private sector's allegedly inadequate provision of child care, health care, and environmental protection. When the market fails, they argue, government must "restructure the marketplace." "Zoning laws," they gush, "set the rules for real estate development. Securities laws set the rules for the stock markets. Even something as simple as the market for taxicabs is regulated by public laws. Governments constantly change the rules of the marketplace to solve problems."

But these "solutions" entail costs of their own. Government regulations prohibit many informal, inexpensive forms of child care and health care. Zoning laws often prevent the construction of apartments and other low-income housing. Securities laws can create victimless "insider-trading"crimes. Taxicab regulations often keep jitneys or other entry-level transit providers out of the market.

Some types of "restructuring" can help markets work more efficiently; others can't. Consider three environmental regulations the authors praise. Per-can garbage-collection fees encourage residents to seek cost-effective recycling. Mandatory recycling programs often kill local recycling markets; the areas then get stuck with "recyclables" that would be cheaper to landfill. And mandates to reduce packaging (as with aseptic juice boxes) often lead people to buy products that, on balance, waste energy. The last two regulations don't make economic or environmental sense; yet all three gain Osborne and Gaebler's enthusiastic support.

Even civil liberties tumble before the authors' regulatory zeal. "Think of all the things Americans would like to discourage," they write, "but cannot bring themselves to ban: pornography, junk food, violence on television. A stiff tax might do the trick."

The government's record in repairing "imperfect" markets is far from perfect. After all, the savings-and-loan crisis resulted from a market restructuring. Congress simultaneously boosted limits on taxpayer-backed deposit insurance and let thrifts offer higher interest rates on those guaranteed accounts. Legislators later prevented those same thrifts from holding the high-yield investments that could have helped them recover their losses.

Similarly, the Federal Housing Administration lends lots of money to people too risky to qualify for private mortgages; it faces a multibillion-dollar bailout. Government student-loan programs face huge defaults. And, barring rapid privatization, the Social Security Administration, which restructured the nation's pension markets, threatens to beggar both wage earners and retirees within a few decades.

The authors want to do more than reinvent government. They want to redefine and rejuvenate progressivism.

They spend some time reflecting on the turn of the century, when that era's Progressives replaced political-patronage machines with career civil servants. Osborne and Gaebler wish to encourage a new type of progressivism, led by entrepreneurial managers instead of rule-bound bureaucrats. They envision these new progressives, no doubt armed with city and regional planning degrees, enacting five-year regional economic-development plans, growth controls, and mandatory recycling programs.

The authors obviously want to make grassroots democracy meaningful and fun again. But there's more to life than attending city-council meetings. And local governments in our more progressive communities (such as college towns) are among the most tyrannical on the planet.

Osborne and Gaebler have spent so much time collecting information on creative government strategies here at home that they have completely ignored the collapse of central planning worldwide. While the authors have valuable insights, they aren't really visionaries.

Entrepreneurial strategies, the authors conclude, "can be used to implement any agenda. They can help a community or nation wage war on poverty, if that is its priority, or lower taxes and cut spending, if that is its priority. *Reinventing Government* addresses *how* governments work, not *what* they do."

When the authors focus on the mechanisms that can help policy makers streamline agencies and improve services, *Reinventing Government* shines. David Osborne and Ted Gaebler could effectively help any state or county that is out of money and needs to deliver government services on the cheap. But once your tax revenues start flowing again, you'd better get rid of these guys—fast.

Rick Henderson is Washington editor of REASON.

Working for a Living

BY JOHN McCLAUGHRY

The Politics of Poverty: The Nonworking Poor in America, by Lawrence Mead
New York: Basic Books, 261 pages, $25.00

The central thesis of political scientist Lawrence Mead's new volume on welfare, his second on the subject, is simple, straightforward, and profoundly disturbing: The era of redistributionist progressivism in welfare policy is finished, and it must and will be succeeded not by a new libertarianism, but by a new emphasis on citizen obligation and government authority. Mead finds the cause of this change in the politics of permanent dependency, of a demoralized underclass whose members have neither the skill nor the will to respond to progressive or libertarian opportunities.

"Up through the mid-1960s," writes Mead, "the leading question was how to help ordinary Americans obtain advance-

ment....The underlying dispute was over economic class—whether to accept the unequal rewards meted out by the marketplace or to try to equalize them by raising wages and giving public benefits to workers and their families. In the new era, which is characterized by what I call dependency politics, the leading issue is how to respond to the disorders of the inner city."

Prior to the mid-1960s, welfare reformers viewed the able-bodied nonelderly poor as economically competent but temporarily out of luck. The archetypes were the displaced worker and the sudden widow. The progressive policy inherited from the New Deal required government to provide a safety net for such people until they could return to work and to tamper with the labor market so that they could earn more money. Hence the make-work programs of the New Deal, minimum wage, unemployment insurance, job training, and collective-bargaining laws. All these measures presumed that today's poor could and would ascend by taking advantage of the government-supplied opportunities to become tomorrow's stable middle class.

But in the 1960s it became apparent that a rising percentage of those eligible for welfare were, for one reason or another, simply not equipped to pull themselves up the ladder extended to them by a caring government. By the 1970s, the leading progressive solution was to simply identify "the poor" and give them money. Curiously, this "solution" was popular both with liberals, who saw it as a way of indemnifying the victims of exploitative capitalism, and with soft-core libertarians (notably Milton Friedman), who favored it because it would allow the abolition of the costly web of programs created to assist the poor to work their way out of poverty.

Progressive government, Mead argues, increasingly failed to spur social and economic advancement for those at the bottom of the pile. "That disappointment, like no other, hit progressive government at its heart." The chief dilemma in dependency politics today is that fostering competence in incompetent individuals is immensely more difficult than expanding opportunity for competent citizens. In short, a rising tide now seems to lift only some boats; many are permanently swamped.

Poverty among the able-bodied, nonelderly poor is a direct result of the poor not working. Mead examines four theories that attempt to explain why the poor do not work. The first is that it simply isn't worth it for them to work for entry-level wages. The obvious response is that most workers do not stay at entry level forever, but work their way up and, in any case, can make a go of it by working long hours.

Mead's plans for welfare reform are seen by some as calls for involuntary servitude.

A second theory, the most popular, is that the poor normally can't find work. If that were true, the boom years of 1983-89 ought to have pushed welfare dependency to rock-bottom levels. But the welfare rolls remained alarmingly high. Even in overheated local economies, the welfare population seemed scarcely to budge, and in some cases even increased. Meanwhile, immigrants, legal and illegal, filled many jobs.

A third argument, to which Mead gives only minimal weight, is that external barriers such as racial discrimination, welfare disincentives, and lack of child care and transportation keep the poor from working. This is a favorite argument of the left. It has, Mead notes, a terrible consequence: the inescapable notion that poor people have no responsibility for their plight. If nothing one does can possibly produce success, why do anything? This argument reduces the poor to "disassembled personalities," less than people, and feeds the social pathology of the victim class.

The fourth theory holds that the principal barriers to work are internal, rooted in the psychology of the nonworker. The nonworkers simply will not voluntarily accept work, at least not at wage rates prevailing in welfare communities, and do not believe work will get them anywhere.

"To a great extent," Mead observes, "nonwork occurs simply because work is not enforced. Overall I think conservatives have the better of the barriers debate—the chance to get ahead is widely available. But liberals have the more realistic view of the psychology of poverty—the poor do not *believe* they have opportunity, and this still keeps them from working." (Emphasis in original.)

The root of the new problem of chronic dependency, Mead concludes, is that the poor, particularly the minority poor, are psychologically defeated, "psychically inhibited," passive, resentful, and convinced that they are powerless to improve their own well-being. (That they should be so is not surprising; 25 years of unrelieved liberal demagoguery has had a telling effect.) Mead believes that the problem of the dependency culture cannot be solved by any known "welfare reform," even with "work incentives" and "work preparation." The competence assumption has broken down for millions of Americans, and creating economic opportunity is not likely to make much improvement in their condition.

The chronic poor are no longer psychologically equipped to work for self-advancement. Thus, if they are to work, they must be made to work, or be driven outside the pale of government largess. Mead finds this requirement of work not only productive of higher work levels and higher incomes but a desirable end in itself. It supplies desperately needed discipline and ends the evasion and defeatism that hold the poor in thrall. Indeed, he argues, with some evidence, that the poor will prove to be grateful for being made to work. If the problem of dependency politics is to be solved, governments will have to abandon opportunity strategies and entitlement strate-

gies and adopt a strategy of authority and paternalism to deal with this intractable underclass.

This conclusion invites strong controversy. Authoritarian conservatives naturally like it, as do lots of working people furious at their freeloading welfare neighbors. But some libertarians see mandatory-work requirements as involuntary servitude. William Niskanen, chairman of the Cato Institute, has described Mead's policy as "abhorrent." The left, still wedded to ever-higher entitlements and large numbers of (preferably unionized) welfare bureaucrats ministering to the needs of the poor, view it as the final outrageous chapter in the oppression of the innocent downtrodden.

If one assumes, at least for purposes of argument, that "the government" ought to mandate work (responsibility) in return for welfare sustenance, it is relevant to inquire just how this is to be enforced. Mead thoroughly and brilliantly analyzes our descent into dependency politics and makes a strong case for the necessity of authority. Unfortunately, he does not describe the preferred mechanism for making welfare recipients work.

Is the present federal-state-local government welfare bureaucracy to be made into work police? At what will welfare recipients work? Public-sector jobs? Nonprofit-sector jobs? Private-sector jobs? Who pays the paychecks, the welfare bureaucracy or the employer? Who defines eligibility? When does it end?

A massive government work-enforcing welfare bureaucracy could well become a functional *gulag* for the poor, fully meriting Niskanen's term *abhorrent*. On the other hand, requiring people to work through programs managed by community-based organizations that provide social reinforcement and opportunity, and with which the poor feel some kinship and solidarity (as with the Mormon church's welfare system), is a much less disturbing prospect.

President Reagan's White House Interagency Low Income Opportunity Advisory Board advocated this devolution strategy with great ability. Instead of promoting systemic welfare reform, the board conceived a different strategy. If states and local communities could devise grassroots, community-based programs to overcome the self-defeating perceptions of the poor as well as offer them education, training, support services, and motivation, the board proposed using federal welfare funds to support those programs with few strings attached.

In 1987 and 1988 the board became an advocate for program waivers for states and cities willing to move in this direction. Under pressure from the board, federal agency officials grudgingly allowed some very interesting local experimentation. Unfortunately, the sharply expanded devolution approach built into the White House welfare-reform proposal of 1987 shrank almost to nothing in the Family Support Act of 1988. Instead, the act placed a strong emphasis on work requirements enforced through the existing welfare system.

It is regrettable that Mead stopped short of exploring alternative methods for putting a mandatory-work requirement into practice. As he leaves the issue, the idea of mandatory work is likely to be debated only in terms of a giant work-enforcing government bureaucracy. Facing that specter, many politicians are going to shy away from the unavoidable question: how to resurrect a chronically demoralized welfare-victim class.

But it is perhaps unfair to ask too much of Mead. He has brilliantly illuminated the undisputed collapse of the "progressive" model for repairing poverty and the emergence of the new politics of dependency. And he has argued with clarity and force for a resurrection for public authority, not to punish the poor for their poverty but to lift them up from it. Even those who view mandatory work in return for benefits as a form of involuntary servitude cannot evade Mead's powerful arguments against the alternatives.

John McClaughry, a Vermont state senator, is at work on a book about welfare reform.

Bringing Up the Middle

BY JACOB SULLUM

Against Excess: Drug Policy for Results, by Mark A.R. Kleiman
New York: Basic Books, 474 pages, $26.00

Suppose that every time you bought a bottle of wine or a six-pack of beer you had to present a drinking license to verify that you could legally consume alcohol. Suppose you then had to wait while the store's clerk checked with a national data base to make sure that you had not already filled your monthly quota of intoxicating beverages. You would probably consider this a serious imposition and wonder how the government had become so intrusive.

Suppose instead that you were confronted with exactly the same system, but for marijuana rather than alcohol. You would probably consider it a surprisingly loose arrangement and wonder how the government had become so permissive.

Those two scenarios, both of which Mark Kleiman proposes in *Against Excess: Drug Policy for Results*, capture the mixed response his book is likely to elicit from opponents of prohibition. On the one hand, Kleiman, an associate professor of public policy at Harvard's John F. Kennedy School of Government, is remarkably fair-minded in his analysis of current policy. He recognizes, for example, that the government's treatment of marijuana is difficult to justify, and he recommends legalization (albeit with licensing and quotas).

On the other hand, Kleiman explicitly defends the proposition that one of government's tasks is to protect individuals from themselves. He wants the state to continue regulating what people put into their bodies, but in a more consistent way, with a better understanding of costs and benefits. Hence the drinking license.

"Eventually we must learn to discuss

our drug policies without raising our voices," writes Kleiman, who has been studying drug issues for more than a decade. This thorough, readable book is an excellent start. Its calm, deliberate approach will be refreshing for anyone who is accustomed to polemics on both sides of the drug-policy debate. Kleiman decries those who treat drug policy as "an occasion for a cultural holy war," in which scholars and scientists must serve the cause or risk being condemned as heretics. He observes that "a drug-crazed drug warrior can be as great a public menace as a drug-crazed addict."

Kleiman notes that the current legal status of a drug does not necessarily indicate anything about its hazards or value. Although he tends to overrate certain drug-related dangers—for example, death from cocaine use, disease from secondary tobacco smoke, and fetal harm as a result of moderate drinking during pregnancy—his evaluations are generally cautious and well-documented. He emphasizes the distinction between use and abuse, and he insists that the harm inflicted on current or would-be users (including the forgone benefits of drug consumption) should be counted as a cost of drug control.

Kleiman is unusual among defenders of prohibition, which he supports not only for cocaine and heroin but for cigarettes as well, because he emphasizes the unintended costs of drug policy. Heroin, for example, "causes crime because it is illegal" and therefore costly. Hence any policy that succeeds in raising the retail price of heroin will boost the crimes committed by heavy users to support their habits. Kleiman also reminds policy makers to consider the negative effects associated with black markets, including violence, corruption, disrespect for the law, and mislabeled or adulterated drugs.

These observations are familiar to anyone who has followed the debate over legalization. But Kleiman makes some more-subtle points as well. For example, he notes that drug-control measures can lead to dangerous substitution: "Poor kids who find illegal marijuana too expensive may switch to sniffing gasoline." And he recognizes that the diversion of police resources to drug-law enforcement has resulted in "the effective decriminalization of increasingly serious kinds of predatory crime," especially in major cities.

Despite the bad effects and limited success of the drug laws, Kleiman considers them necessary to keep abuse at an "acceptable level." He suggests, without offering evidence, that drug control is a more efficient way of preventing drug-related misbehavior—disorderly conduct, negligent driving, child neglect—than laws aimed at the misbehavior itself. But he also wants to limit the harm that drug users do to themselves.

"A drug-crazed drug warrior can be as great a public menace as a drug-crazed addict."

"The general rule in a liberal, free-market society," Kleiman writes, "is not to interfere in adults' considered decisions about the management of their own affairs, as long as those decisions do not impinge on the rights of others." But psychoactive drugs undermine the assumption that "individuals are good stewards of their own welfare," he writes: "By acting directly on the brain's own pleasure mechanisms, by supplanting the body's internal production of important neurochemicals, and simply by clouding judgment, drugs challenge in fact the personal autonomy on which rational-actor models rely in theory."

Elsewhere in the book, Kleiman remarks on the widespread prejudice against "artificial" pleasure, and his argument for special treatment of drugs seems to be influenced by this attitude. In the effect that it has on the brain, drug taking is analogous to many other pleasurable but potentially harmful activities. Consider the "sex addict" who risks disease through reckless promiscuity, the college student who stays up until the wee hours playing Tetris the night before an exam, or the jogger who is so hooked on runner's high that he injures himself through too much exercise. In each of these cases, the combination of adrenaline, endorphins, and other biochemicals reinforces excessive behavior that may later be cause for regret. Drug taking is not unique.

Nevertheless, it's true that people do things under the influence of drugs that they would not otherwise do, including things that harm themselves and sometimes others. But the effect of drugs on behavior is not a simple pharmacological compulsion. It is a complex phenomenon, involving the three-way interaction of what psychiatrist Norman Zinberg called "drug, set, and setting": the substance, the subject's state of mind, and the environment, broadly defined. To cite just one example that Kleiman himself mentions, whether alcohol "causes" violence seems to depend upon cultural expectations. Furthermore, as Kleiman notes, "drug abuse is rare, and chronic drug abuse with lasting bad consequences very rare."

The dramatic variation in response to the same drug across groups and individuals suggests that set and setting—including personal and cultural values—are at least as important as the drug itself. Among other things, this means that drugs do not nullify free will; with rare exceptions, intoxicated people are not out of control in the sense that their wishes and expectations do not matter. Indeed, Kleiman insists that drug users be held accountable for intoxicated misbehavior, even suggesting that they should be punished more severely for consciously choosing to be impaired (as in the case of drunken driving).

Furthermore, Zinberg's analysis indicates that we should pay more attention to the conditions in which people take drugs. As Kleiman acknowledges, the setting fostered by prohibition is not conducive to responsible drug use. It encourages rapid consumption on the sly in concentrated form, without social pressures for moderation. And the fact that all consumption of a drug is illegal blurs the distinction between use and abuse.

Where he would stop short of prohibition, Kleiman wants the state to enforce an ethic of moderation—for example, by rationing alcohol and marijuana and

licensing their users. But he seems to recognize that this is a paradoxical enterprise, since legal restrictions on drug use impair "individual and collective powers of self-control." When the state assumes the task of preventing excess, it preempts the informal pressures, incentives, and sanctions that friends, neighbors, relatives, and employers bring to bear on those whose drug use threatens to hurt themselves or others. These forces are in some ways more powerful than state intervention because they are more pervasive and because they encourage internalized control rather than merely constraining behavior.

But Kleiman's argument for paternalism suffers from a more basic flaw: He misconstrues the utilitarian case for individual liberty. The point is not that people are necessarily "good stewards of their own welfare"—merely that they are the best stewards. People often make decisions they later regret, and sometimes the decisions have irrevocable consequences, but that does not mean they would be better off with someone else running their lives. The alternative to letting people make mistakes—appointing bureaucrats to divine their interests and make choices on their behalf—is likely to be worse.

There's even more reason to be skeptical of this project when it is carried out on a mass scale, as drug policy is. Government planners simply cannot know enough to weigh all the relevant costs and benefits, especially since many factors are unpredictable (drug fashions, new diseases, substitution effects) or unmeasurable (the pleasure of drug use, the pain of a child's death). Even if they could collect all the necessary information, the blunt tools of drug policy—taxes, regulations, bans, arrests—could not implement the resulting plan with any precision.

Kleiman acknowledges the uncertainty. Discussing measures, such as taxation or prohibition, aimed at minimizing the harm that drug abusers do to themselves, he writes that "whether...the average net effect of such interventions would turn out to be beneficial or harmful is an interesting, if empirically unanswerable, question." Elsewhere, he writes that such a policy amounts to "a particularly tricky piece of social engineering" with "a propensity for unexpected and unwanted side-effects."

Indeed, *Against Excess* is sprinkled with caveats that should give pause to even the most ambitious social engineer: "The total harm done by any drug is a matter more of speculation than of measurement....There are at least as many problems as there are varieties of drugs and drug users....Attributing to each form of a drug anything resembling its precise share of the harm done by that drug can be a monstrously complex task....As a practical matter, determining the ideal level of taxation would require heroic feats of measurement."

Kleiman seems undaunted by caveats that should give pause to even the most ambitious social engineer.

Undaunted by his own warnings, Kleiman forges ahead. His technocratic urge to micromanage the nation's drug consumption is most apparent in his discussion of taxes. A drug tax, he explains, should cover the external costs of consumption—those imposed on other people. The tax forces users to take into account the full effects of their behavior. If properly calculated, it will result in the optimal amount of consumption. Kleiman draws an analogy to a tax on pollution.

There's a problem, however. Although each polluter by definition imposes costs on others, that is not true of each drug user. Indeed, only a small minority of drug users impose significant costs on others by getting into accidents, creating public nuisances, committing crimes, burdening public health care, and so on. Even assuming that it's possible to calculate, say, all external costs related to alcohol consumption, dividing that total by the number of units sold will not yield anything like an "optimal tax."

Such an average would inevitably undertax alcohol abusers while overtaxing responsible drinkers. The former, who are probably less sensitive to price changes anyway, will be underdeterred, while the latter will forgo harmless pleasures that would have added to total welfare. This is not only unjust but *inefficient*. Kleiman acknowledges that such a tax would not correspond to the actual costs generated by each buyer, but he fails to note that this undermines the whole scheme.

The most troubling aspect of Kleiman's policy prescriptions, aside from his assumption that drug use is a privilege rather than a right, is his failure to learn from the history that he describes. For example, although heroin prohibition may have restricted the number of addicts, it has made each of them a lot worse off: The unpredictable quality of black-market supplies makes overdoses and poisoning more likely; high prices both impoverish addicts and encourage them to inject (the most efficient way to administer the drug); needle sharing, promoted by antiparaphernalia laws, spreads disease, including AIDS and hepatitis-B.

"If heroin had been legalized two decades ago," Kleiman writes, "it would be much more widely used, but the average member of that larger population would be better off and less likely to commit crimes. Scores of thousands of heroin users would never have been infected with HIV. The spread of that virus from heroin users to their sexual partners, and the consequent birth of HIV-infected infants, would be a footnote to the AIDS problem rather than a focus of concern....

"Perhaps, *if the AIDS epidemic had been foreknown*, a convincing argument could have been made that the increase in heroin addiction as a result of one or another form of legal availability would have been more than compensated for by the reduction in HIV transmission." (Emphasis added.) But the government never foresees the unintended consequences of its actions. The only thing we can say for sure is that there are bound to be more such tragedies.

Jacob Sullum is associate editor of REASON.

PAPER TIGER

BY THOMAS W. HAZLETT

The process of tidying up the East Bloc after their little Communist Party (dude, did that party get totally wasted or what?) has reached the point where we've swept away the surface dust and are finally getting to the hardwood. Down to the good stuff mom & dad tried to hide—just well enough to clue us in on what to look for.

In what appears as East Germany in the pre-1990 Rand McNally's, the cleanup crew has hit the secret-police mother lode: The files of the dreaded Stasi ("KGB" in *Deutsche*) have been unearthed. They cover 125 miles of shelving space. Some 2.125 billion sheets of paper, weighing in at 6,250 tons. And if they buy their furniture at the same place I do, I'll just bet those shelves bow a bit toward the middle.

These are the personal files kept by your friendly, local police state; they actually compiled data on 6 million East Germans, one of every three. *Beaucoup* data. According to information sufficiently fit for *The New York Times*, a typical piece of surveillance went: "Rathenow then crossed the street and ordered a sausage at the sausage stand. The following conversation took place. Rathenow: 'A sausage please.' Sausage seller: 'With or without roll?' Rathenow: 'With, please.' Sausage seller: 'And mustard?' Rathenow: 'Yes, with mustard.' Further exchange of words did not take place." This is espionage only J. Edgar Hoover could love.

I have trouble taking notes on speeches given by world-famous professors; I can readily appreciate the advanced East German steroid technology that must have been injected to pump up these spooks for such arduous undercover stenography. But more to the point: I have a difficult time managing paper flow on my own desk; whole families are said to be living rewarding lives somewhere around my "IN" box.

And that's just *my* mess (called "work product" on government forms). The great Stasi had 6 million fat manila folders to file, *without computers* (too busy note taking to master the CompuSerf tutorial). Forget about your vaunted German engineering. The Stasi did it all with an army of socialist clerk-spies—worker bees *not*. (The comrades left warehouses filled to the brim with unfiled notes. Well, of course the state fell apart. It got a little behind in its filing chores—and vamoose!)

When the folders were located, they wrecked more than a few innocent human lives: Vera Wollenberger has discovered that her very own husband was faithfully reporting on her most intimate doings, and a chicly attired avant-garde artiste type, Sasha Anderson, betrayed just about the entire literary set.

Yet the monstrosity of the operation, the army of petty informants that formed a seamless network stretching to every peephole in the nation, the 40,000-page files kept even on Communist sympathizers, formed a mammoth information overload. The system just ran out of virtual memory and locked.

Imagine being A Great File Clerk of Socialism and getting this order from your boss: "Hans, why don't you run down and pull out Heinrich's file. His last name is something like Gurger or Burger. And on the double, or *you'll be shot*." This was scientific socialism's version of our Freedom of Information Act.

Millions of megabits, and not a brain in the bunch. The East German Communist Party knew everything theoretically, and nothing in fact. It operated on the assumption that amassing dirt on individual citizens would make the people vulnerable and keep their leaders strong. Cute idea. But poor Erich Honecker is now holed up in the Chilean embassy in Moscow, shivering in a self-imposed jail sentence for fear that the German proletariat might be given half a chance to extradite him and read *his* file to a court of law.

Such crack surveillance really should have kept that German Democratic Republic from toppling, don't you think? The police could look up what condiments 6 million suspected troublemakers had requested on their wieners, but the head of state was unable to look up and see the tidal wave of history breaking right overhead.

Having lived in Washington, D.C., this past academic year, I can read these tea leaves clearly: Get better computers to manage your paperwork. (See, that's the solution that takes a larger budget authorization, and computer hardware is eminently fundable, so even you suckers—read: citizens—way out past the Beltway get the logic.)

That's all the East German government really needed: Efficient Secret File Management (ESFM). An integrated, online, interconnected data base with user-friendly software interface. Really, Wang's got a super new ESFM system. I'm talking about portability with mobile wireless spy data units downlinked to fiber-optic microcells; I'm talking about digital compression technology and high-speed transmission; I'm talking about instant access to files on all 18 million subjects. Erich—don't give up, pal. I've got the proposal all written up. The National Science Foundation is sure to fund this Information Management Systems project.

If only I could find my copy. It's somewhere on my desk. I think I placed it under that November 11, 1991, issue of *Forbes*, the one next to the styrofoam cup and the "Down Wit OPP" baseball cap. No? Well, I just hope they extend that damned NSF filing deadline.

Contributing Editor Thomas W. Hazlett teaches economics and public policy at the University of California, Davis.

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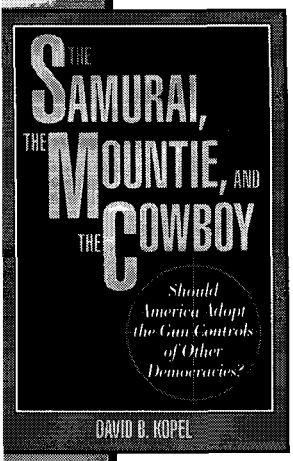

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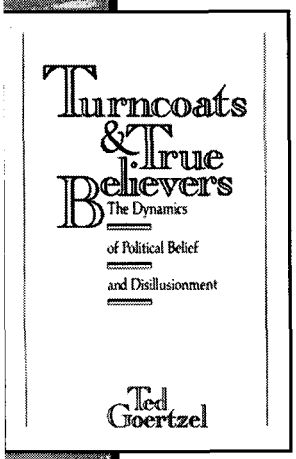

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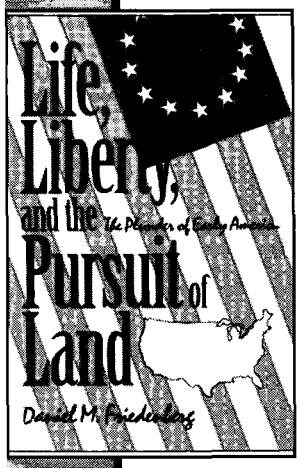

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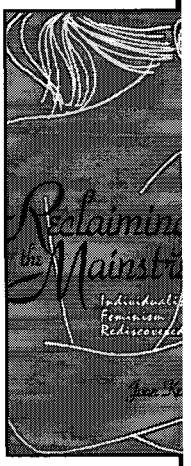

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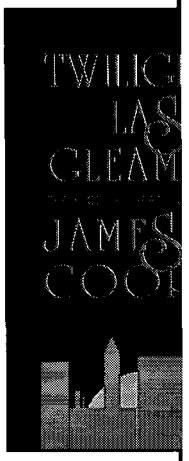

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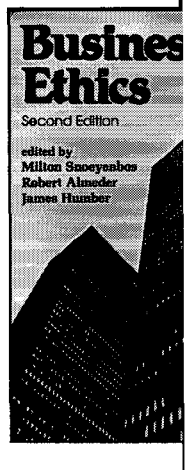

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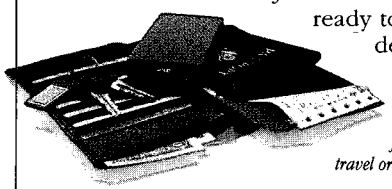

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